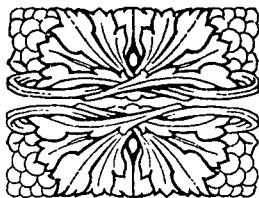


Report of the Proceedings
of the Second

Manitoba Economic Conference

*Held at
The Marlborough Hotel
Winnipeg*

February 19th and 20th, 1925

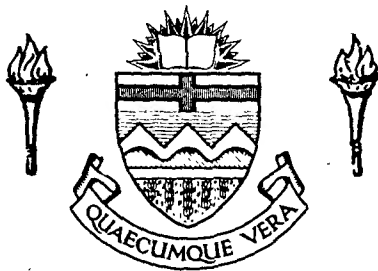


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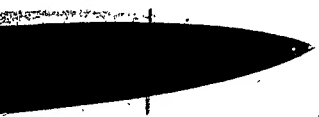
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Manitoba Economic Conference, 1925

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Vice-President, T. A. Hunt, K.C., Winnipeg

Secretary-Treasurer, J. H. Curle, 204 Canada Bldg., Winnipeg.

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Finance—W. A. Weir, Winnipeg; A. L. Crossin, Winnipeg.

Industry—C. F. Roland, Winnipeg; J. W. Ackland, Winnipeg.

In Lieu of Labor—William Iverach, Isabella, Man.; Prof. A. B. Clark, Winnipeg.

Municipal—Mayor H. Cater, Brandon; D. D. McDonald, Dauphin.

Professions—T. A. Hunt, K.C., Winnipeg; F. H. Martin, Winnipeg

Transportation—S. R. Henderson, N. Kildonan; F. J. C. Cox, Winnipeg.

Women—Mrs. S. E. Gee, Virden, Man.; Mrs. Lily Brown, Winnipeg.

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Publicity—Messrs. F. H. Martin, T. A. Hunt, K.C., S. R. Henderson, Prof. A. B. Clark, C. F. Roland and J. H. Curle.

Finance—Messrs. S. R. Henderson, A. M. Fraser, T. A. Hunt, K. C. F. J. C. Cox and J. H. Curle.

Programme—Messrs. E. K. Marshall, Prof. R. W. Murchie, T. A. Hunt, K.C., Prof. A. B. Clark, Mrs. Lily Brown and William Iverach

Address all communications to the Secretary-Treasurer,

J. H. Curle, 204 Canada Building, Winnipeg, Manitoba

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Copy of Invitation

MANITOBA ECONOMIC CONFERENCE

February 19th and 20th, 1925.

To Interested Organizations;

The second Manitoba Economic Conference will be held at the Marlborough Hotel in the Marlborough Room (8th floor) on Thursday and Friday, February 19th and 20th.

A copy of the program accompanies this letter. The papers and discussions are based upon Taxation.

Your organization is invited to send three representatives to the Conference. If your body wishes to send less than three delegates, it may do so.

Interested persons who do not belong to any organized body may attend but are not entitled to participate in the discussions.

The Conference will open on Thursday, February 19th, at 10 a.m., and will continue in session until it adjourns on Friday afternoon.

Delegates will register at the Marlborough Hotel, commencing at 9.30 a.m. Thursday, February 19th. Over sixty organizations are being invited to send representatives to the Conference.

Will you do your part to make it a great success?

Yours truly,

J. ALLISON GLEN, Chairman,

J. H. CURLE, Secretary,

204 Canada Bldg., Winnipeg.

82509

A copy of the foregoing invitation was sent to each of the following organizations:

Agricultural College, The, Manitoba Association of Architects, Association Agricultural Societies, Western Subsections Canadian Bankers' Association, Bee Keepers Association, Bond Dealers' Association, Winnipeg Builders' Exchange, The Canadian Credit Men's Trust Association, Canadian Press, The Institute of Chartered Accountants of Manitoba, Cities of Manitoba, Dairy Association, Dental Association, Department of Political Economy, On-to-the-Bay Association, Manitoba Tax Commission, Manitoba Educational Association, The Employers' Association of Manitoba, Fire Underwriters' Association (Western Canada), Good Roads Association of Manitoba, The Winnipeg Grain Exchange, Hotel Keepers Association, The Winnipeg Wholesale Implement Association, The Engineering Institute of Canada (Winnipeg Branch), Winnipeg Life Underwriters' Association, Manitoba Bar Association, Manitoba Electrical Association, Manitoba Live-Stock Board, Manitoba Motor League, Manitoba Wheat Producers, Manitoba Teachers' Association, The Manitoba Optometric Society, Manitoba School Inspectors' Association, Manitoba School Trustees' Association, Manufacturers' Association, Medical Association, Ministerial Association, Mortgage Loans Association, The Northwest Commercial Travellers' Association of Canada, The Manitoba Poultry Breeders' Association, The Railways, Winnipeg Real Estate Exchange, The Retail Merchants Association of Canada (Manitoba Board), Rural Credits Societies, Soldiers' Settlement Board, The Winnipeg Suburban Municipal Association, Winnipeg Trades & Labor Council, Union of Municipalities of Manitoba, United Farmers of Manitoba, United Farm Women of Manitoba, University of Manitoba, The Veterinary Association of Manitoba, Canadian Weekly Newspaper Association, Manitoba Division; Western Retail Lumbermen's Association, Western Retail Fuel Dealers' Association, Wholesale Grocers' Association, Women's Institutes, Women's Council, Winnipeg Milk Producers' Co-operative Association, Winnipeg Taxpayers' Association, The Associated Radio of Manitoba, The Association of Professional Engineers of Manitoba, Graphic Arts Association, Winnipeg Board of Trade, Young Men's Section Winnipeg Board of Trade, Boards of Trade—Winnipeg, Brandon, Portage la Prairie, Dauphin, Carberry, Carman, Warden, Ste. Rose du Lac, The Pas, Rapid City, St. Boniface, Swan River, Winnipegosis, Killarney, Gladstone, Manitou, Melita, Neepawa, Minnedosa, Souris and Selkirk.

PROGRAMME

Second Manitoba Economic Conference, Marlborough Hotel,
Thursday and Friday, February 19 and 20, 1925.

Thursday, February 19th

9.00 a.m.

Delegates registered.

10.00 a.m.

Conference called to order by the Chairman, Mr. J. Allison Glen, of Russell, Manitoba.

Address of Welcome by The Honorable John Bracken, Premier of Manitoba and His Worship the Mayor, Colonel R. H. Webb.

Report on work of Conference Committee.

Report on Resolution passed at first Conference.

1. Improvement of Agricultural Conditions, by D. G. McKenzie.

2. Economic Research, by C. F. Roland.

3. Hudson Bay Railroad, by Wm. Iverach.

4. Natural Resources of Manitoba, by E. K. Marshall.

5. Economy in Public Service, by J. H. Curle.

6. Real Property Taxation, by A. M. Fraser.

7. Constitution, by T. A. Hunt, K.C.

2.00 p.m.

Appointment of Resolutions Committee.

Conference on Taxation.

Real Property Taxation:

Introduced by A. M. Fraser.

Income Tax:

Introduced by David Cooper, C.A. and H. M. Dunham.

Business Tax:

Introduced by Professor A. B. Clark.

8.00 p.m.

Inheritance Tax:

Introduced by R. M. Fisher.

Special Taxes:

Introduced by C. F. Roland.

Friday, February 20th

9.30 a.m.

Taxation in Relation to Education:

Introduced by E. K. Marshall.

Fields of Taxation:

Introduced by J. A. Aikin.

2.00 p.m.

Report of Resolutions Committee.

Consideration of Resolutions.

Arrangement for next Conference.

Adjournment

REPORT OF PROCEEDINGS OF THE SECOND MANITOBA ECONOMIC CONFERENCE

held at the Marlborough Hotel

Thursday and Friday, February 19th and 20th, 1925

The Conference was called to order on Thursday, February 19th, at 10 a.m. by the Chairman, Mr. J. Allison Glen, of Russell, Manitoba.

Addresses of welcome were delivered by the Hon. John Bracken, Premier of Manitoba, and His Worship Colonel R. H. Webb, Mayor of Winnipeg.

Premier Bracken, in his address, said as follows:

Mr. Chairman, Ladies and Gentlemen: At the outset of the Second Economic Conference it is a pleasure to me to have the opportunity of welcoming the many delegates from the different organizations present, and to express the hope that your work here on this occasion, as a year ago, will result in our people understanding better the problems that we as individuals and as a community have to face. I think our thanks are due at this time to the Executive which has had in charge the work of the Economic Conference since we met a year ago. I personally know that they have done a very great deal of work, and I want to compliment them on the program they have prepared for the next two days. I imagine from the look of the program that those who are to take part are rather more thoroughly prepared than they were one year ago, and I expect that more good will come from our deliberations during the next two days than a year ago. This year we meet under quite different circumstances from those of last year. Our production in 1923 was, I think, lower than in any year since the early period of the war, and our people were very greatly depressed. This year we have had a better crop and higher prices than any year since 1920, the result being that the morale of our people is better than at any time since the close of the war.

It seems to me that there are three things that we as citizens of Manitoba ought to set ourselves at this time to do. And the first of these is to get facts. What we want is unbiased fact, rather than prejudiced opinion. Facts—the exact situation regarding our economic conditions. We have problems facing our agricultural industry—we have problems facing our urban population. We have tremendous natural resources that we hardly know anything about. We frequently speak of Manitoba as being an agricultural Province, and yet, never as long as any of us live, will we farm more than one-fifth of this Province, and two-fifths, nearly three-fifths, of it will never do anything more than produce timber. We have an opportunity there, and we have mining opportunities, large areas known to be rich in minerals. We have a large lake surface, larger than in any other Province except Ontario.

and a fishing industry that we hardly know anything about—hardly developed. These are some of the opportunities we have. Then, west of us, we have two million people of the different Prairie Provinces, and in British Columbia, waiting to use goods manufactured in Winnipeg, another opportunity that one-third of our population in this Province, which lives in Winnipeg, has to meet.

The second thing that I think we require to learn is tolerance. We can make the most of our opportunities only by getting to understand one another's viewpoints, and all classes working together in team-play. As long as Labor blames Capital, and Capital blames Labor, the farmer blaming the city man, and the city man the farmer, each one blaming the other, we won't get very far, and the most hopeful thing that I can see many come out of a Conference such as this is that the different economic interests may each look more sympathetically on the viewpoints of the others.

And the third thing I think is a better understanding of the different geographical conditions of our country—the different economic factors that go to make up our population. I think that is one of the best things that might come out of a Conference of delegates from so many different organizations. I spoke a little while ago of the different conditions under which we meet to-day as compared with a year ago. The total value of our crops in 1923 (\$60,000,000)—lowest since early in the war period. This year it is over twice that. That, to a large extent explains the higher morale of our people.

Mr. Chairman, I will not waste your time further. I am glad to be here to welcome you to this second Conference. I know a good many of you have put in a good deal of work on the different subjects that you are here to discuss, and I am sure that when we are big enough, and broad enough and tolerant enough to sit around a common table and talk things over good results are bound to accrue. (Applause.)

Mr. Glen. We have with us this morning also a gentleman to whom we are largely indebted for the use of this hall—His Worship Mayor Webb — his honours are still "thick upon him." I would ask His Worship to come forward.

Mayor Webb in his address said:

Mr. Chairman, Ladies and Gentlemen: I am not a speaker, but I am very glad to have the pleasure of welcoming not only those out of town, but those who reside in the city, because the work that you have under way is vitally necessary to the city of Winnipeg and the country as a whole. The Prime Minister hit on perhaps what is one of the most important points—that is, the obtaining of facts. If I may say one thing more than another with regard to the cause of our trouble in the city and the Province and Canada, it is that people criticise without knowing the facts. And the second thing is, that next to this absence of facts, is the great pleasure it appears to afford many people in this country, and in the city of Winnipeg especially, to indulge in destruc-

tive criticism all the time. If we can get rid of this destructive criticism we will be doing a whole lot of good. We can well afford to take this to heart and give a whole lot more consideration to constructive policies. Another great point is consistency. It is no good to talk economy unless we are consistent in that policy. Just for one instant I will take you back to last year, when the Western Provinces, owing to their not being united—for you can only have economy if you are united—whether in business or politics or any other thing—wanted to get the Hudson Bay railroad completed. You know what happened, and you know why. Because the Western members sold themselves for a “mess of pottage”—that is the truth, whether they like it or not. And the Premier of Canada says: “Because of economic reasons we cannot build the Hudson Bay Railway.” The finishing of the Hudson Bay Railway was simply a problem of \$2,000,000. That money was provided by Western Canada. The funds have gotten into the Consolidated Fund and are not available, and so the Prime Minister of Canada states to the people of the West that they cannot build the Hudson Bay Railway. And yet they can build a bridge, necessary but not essential, across the St. Lawrence at Montreal. This is not economy—it is politics. And I would suggest, gentlemen, that this meeting is for the finding out of ways and means of economy that we might just as well realize that the Dominion Government of this country are no more interested in economy to-day than they were a year ago, and they will do the same things this year as last. I am sincere in that. Well, now, this is a Western meeting for Western economics. I believe that one of the finest things we can do for this whole country, from Toronto to the Pacific Coast, is to unite. No matter whether Liberals, Tories or Progressives—you are never going to get sound economic rule at Ottawa unless the West is absolutely solid in all that interests this section of the country. You have sectional government in Canada to-day—Ontario and Quebec are ruling the whole country, and yet these two provinces are absolutely dependent upon the Western prosperity for their prosperity. It is not economy that we should be ruled in that way. And if we will only work together for some economic facts, and having got these facts, go out and offer a constructive policy. Not condemn the Provincial Government down here until we know we have a better constructive policy to offer. The same with the city. I don't think I ought to say any more—perhaps I have said too much. But, gentlemen, let us have facts, let us have constructive policies, and when we talk economy, let us be consistent and one hundred per cent. (Applause.)

Mr. Glen: I need hardly say how we appreciate the presence of Premier Bracken and Mayor Webb, and that what they have said will have a bearing on our deliberations throughout this session.

The next item is a report as to what has happened at last Conference, from the chair. A number who were present at that Conference would be none the worse of having their memories refreshed, and those who were not present will want to know:

Mr. Glen then made the following report:

At the first Conference held on 12th and 13th March, 1924, a representative gathering of delegates of every organization in the province for two days discussed various subjects dealing with the economic and social life of the province. The principal addresses and the discussions were interesting, informative and should have been widely disseminated among our citizens, but unfortunately this body has no funds wherewith to print and distribute a report, and I think it worth while shortly to state the subjects of discussion for the information of those who were not present.

The Premier called the Conference and presided at the opening, giving an address basing his remarks on four heads:

- (1) A better appreciation of the fundamental character of the problems we are facing.

- (2) Less dependence placed on quack remedies for their solution

- (3) The removal, as far as possible, of any suspicion there may be between the economic groups that make up our population.

- (4) A decision to give less attention to class aims, class distinction and class advantage, and more determination to work together for the common good of the whole community.

I do not think the bases of that Conference could have been better stated, and throughout the two days' session the addresses and debates justified the Premier's remarks, and it is gratifying to record that despite acute difference of opinion, no discordant element was introduced.

Addresses were given by Hon. T. A. Crerar, who dealt with:

- (1) Readjustment of prices;

- (2) Transportation;

- (3) Immigration.

He spoke from the farmers point of view and naturally certain phases of his address were in direct conflict with the views of Mr. C. F. Roland, who gave an address on "Taxation from the Standpoint of Industry," and also with that of Mr. W. H. Hoop, on "Economics from the Standpoint of Labour."

Addresses were given by Professor R. C. Wallace, on the "Development of Natural Resources"; Dr. McLean, on "Education and the State"; Professor A. B. Clark, on "Economics from the Standpoint of the State in Relation to Taxation."

A number of resolutions were submitted and passed by the Conference, which were as follows:

Resolution No. 1—Re General Policy

Moved by D. G. McKenzie; seconded by R. W. Murchie.

- (1) The development of a community pride, loyalty and progress through local organizations.

(2) Economy in production through individual and joint effort in crop and live stock improvement, and efficient farm management.

(3) Diversification of agriculture in order to lower costs of production, distribute risks and increase annual farm revenue.

(4) Encouragement of agricultural education by further development of the investigational experimental and extension work of the Manitoba Agricultural College

(5) Standardization and improvement in the quality of farm products, with a view to developing a greater demand for the products of Manitoba farms.

((6) The encouragement of co-operation in marketing.

(7) The development of wider markets for Manitoba agricultural products.

(8) Reduction of transportation costs.

(9) Re-adjustment of agricultural credit facilities in order to aid economic and diversified production.

(10) The encouragement of selective immigration and supervised land settlement in order to develop our vast natural resources; and be it further resolved, that this Conference select a representative committee to assist in the promotion of these policies.

Resolution No. 2—Economic Research

Moved by A. E. McKenzie (Brandon); seconded by D. Ross (Winnipeg).

Whereas, the question of relationship between agriculture, industry and labor in Manitoba has been squarely raised by the introduction of papers at this Conference; and

Whereas, it is recognized that present conditions make it wise and imperative upon the agricultural, industrial and labor groups to establish and maintain in Manitoba the most favorable conditions obtainable in order to take advantage of the future opportunities this Province offers for agricultural, industrial and commercial development;

Therefore, as a means towards improvement, this Conference recommends the appointment of an Economic Research Committee by the Conference to suggest ways and means with a view of attempting to solve our economic problems, particularly in respect to lessening the differential cost between agriculture and industry.

Resolution No. 3—Hudson Bay Railroad

Moved by Wm. Iverach; seconded by H. S. Paterson.

Believing that the development of the natural resources of Northern Manitoba and the opening of a transportation route by way of the Hudson Bay is of first importance to the prospects of Canada, and more particularly to the agricultural interests of Manitoba and the Prairie

Provinces, be it resolved that this Convention urge the Dominion Government to complete the Hudson Bay Railway in 1924.—Carried.

Resolution No. 4—Natural Resources

Moved by Prof. R. C. Wallace; seconded by Mr. Bond.

That, as the development of the natural resources of the Province is a matter of fundamental importance to our economic welfare, there be organized a provincial body representative of scientific, technical and business interests to acquire information, direct investigation and publish details with reference to the resources that may be utilized to promote industry and stimulate the economic life of the province.—Carried.

Resolution No. 5—Economy in Public Service

Moved by G. B. McColl; seconded by Mr. French.

Whereas the multiplicity of offices and departments in all public services in Canada has enormously increased the financial burden of the people, providing no increase in wealth or production, and retarding instead of furthering the development and prosperity of our country;

And whereas, the public debt in Canada is continually on the increase, necessitating heavy borrowing, thus withdrawing capital from production and industry;

And whereas, those public works which are essential to the progress and development of our country are being delayed on grounds of economy;

Be it resolved, that this conference is of the opinion that drastic steps should be taken to curtail all extravagant overhead in public service so that every dollar of public money may be effective for the prosperity of our country and people.—Carried.

Resolution No. 6—Real Property Taxation

Moved by A. M. Fraser; seconded by W. T. Kirby.

That the question of the soundness and equity of the real property tax as related to land and buildings locally assessed, in its present form of an annual tax on assessed capital values, be referred to a Committee of the Economic Conference for examination and report.

Resolution No. 7—Vote of Thanks

That this Economic Conference of Manitoba express its hearty thanks to Col. R. H. Webb, manager of the Marlborough Hotel, for the courtesy of providing this splendid room for the meetings of the Conference, and further, that the Manitoba Economic Conference expresses its appreciation of the press for the very thorough manner in which the proceedings have been reported.

Resolution No. 8—Re Permanent Committee

That the chairman name a small committee to bring before the Conference a resolution dealing with the formation of a permanent committee. Mr. Glen, the chairman, then appointed the following committee, i.e.: Messrs. Newcombe, Coyne, Iverach, Hoop, Roland and Curle.

Resolution as follows:

Inasmuch as a provincial committee of twelve, composed of Messrs. Edwards, Fraser, Iverach, Roland, Hoop, Henderson, Weir, Emmett, McKenzie, Gilliat, Ransby and Curle, has been active in bringing together this conference, and it is desirable to continue such conferences;

Be it resolved:

(a) That this provisional committee, with the addition of Mr. Glen, chairman of the Conference, continue in existence until a permanent Manitoba Economic Conference Committee is formed;

(b) That this permanent committee be composed of representatives of eleven groups into which the organizations represented at this Conference are divided as follows:

1.—AGRICULTURE

Agricultural College;
Associated Agricultural Societies of Manitoba;
Beekeepers' Association;
Diary Association;
Manitoba Live Stock Board;
Rural Credits Societies;
Poultry Association;
Soldier Settlement Board;
United Farmers of Manitoba;
Winnipeg Milk Producers Association

2.—WOMEN

United Farm Women;
Women's Institutes;

3.—INDUSTRY

Blacksmiths' Association;
Employers' Association;
Manitoba Electrical Association;
Manufacturers' Association;
Winnipeg Graphic Arts Association

4.—COMMERCE

Boards of Trade in Manitoba;
Canadian Credit Men's Trust Association;
Grain Exchange;
Hotel Keepers' Association;
Implement Dealers' Association;
Northwestern Commercial Travellers' Association;

Real Estate Exchange;
 Retail Merchants' Association;
 Western Retail Lumbermen's Association;
 Wholesale Grocers' Association.

5.—LABOR

Trades and Labor Council.

6.—PROFESSIONS

Canadian Press;
 Chartered Accountants' Association;
 Institute of Engineering;
 Manitoba Optometric Association;
 Medical Association;
 Ministerial Association;
 Manitoba Bar Association;
 Veterinaries' Association;
 Weekly Newspaper Association.

7.—EDUCATION

Department of Political Economy;
 Educational Association;
 School Inspectors' Association;
 Teachers' Federation;
 University of Manitoba;
 School Trustees Association.

8.—TRANSPORTATION

Good Roads' Association;
 Manitoba Motor League;
 Railways.

9.—FINANCE

Bankers' Association;
 Bond Dealers' Association;
 Fire Underwriters' Association;
 Life Underwriters' Association.

10.—BUILDING

Architects' Association;
 Builders' Exchange;
 Winnipeg Taxpayers' Association.

11.—MUNICIPAL

Cities of Manitoba;
 Suburban Municipalities;
 Union of Municipalities.

(c) That these groups be represented on the permanent committee as follows:—

1. Agriculture	4 Committeemen
2. Women	2 Committeemen
3. Industry	2 Committeemen
4. Commerce	2 Committeemen
5. Labor	2 Committeemen

6. Professions	2 Committeemen
7. Education	2 Committeemen
8. Transportation	2 Committeemen
9. Finance	2 Committeemen
10. Buildings	2 Committeemen
11. Municipal	2 Committeemen

—
24

(d) That wherever it is convenient for the executives of the organizations belonging to each group to meet together within two months, they shall select the committeemen to which the group is entitled

(e) That when it is not convenient for the executives of the organization belonging to a group to meet within two months the provisional committee shall take nominations from each organizations in such group or groups and shall select the representatives of the group from such nominees.

(f) That the permanent committee shall draw up a constitution of the Conference for confirmation.

A Provisional Committee was appointed composed of myself as chairman, with Messrs. Edwards, Fraser, Iverach, Roland, Hoop, Henderson, Weir, Emmett, McKenzie, Gilliat, Ransby and Curle. This Provisional Committee was to continue in existence until a Permanent Manitoba Economic Conference Committee was formed.

The Permanent Committee was to be composed of representatives of eleven groups into which the organizations represented at the Conference were divided:

1. Agriculture	4
2. Women	2
3. Industry	2
4. Commerce	2
5. Labour	2
6. Professions	2
7. Education	2
8. Transportation	2
9. Finance	2
10. Buildings	2
11. Municipal	2

—
24 in all

The Provisional Committee met and the following were appointed:

President.....J. Allison Glen
Vice-President T. A. Hunt, K.C.
Secretary-Treasurer.....J. H. Curle

Later the other members of the Permanent Committee were nominated by the different organizations, and are as follows:

Agriculture.—J. L. Brown, M.P., C. W. McMillan, Prof. C. H. Lee,
D. G. McKenzie.

Women.—Mrs. James Elliott, Mrs. D. Watt.

Industry.—C. F. Roland, J. A. Ackland.

Commerce.—W. G. Fraser, J. H. Curle.

In lieu of Labor.—William Iverach, Prof. A. B. Clark.

Professions.—A. McGillivray, T. A. Hunt, K.C.

Education.—J. Allison Glen, E. K. Marshall.

Transportation.—S. R. Henderson, T. Acheson.

Finance.—W. A. Weir, W. T. Kirby.

Buildings.—F. R. Dowse, A. M. Fraser.

Municipal.—H. W. Cater, D. D. McDonald.

Your Committee addressed themselves to the work of the last Conference, having in view chiefly the resolutions passed and various meetings were held. If one had the opportunity of reading, as I had, the different addresses given and listened to the discussions following on them, one would be bound to come to the conclusion that the subject uppermost in the mind of all the citizens and the subject least known is that of taxation. The most imperative problems to-day are of an economic character, and there is therefore the need and importance of economic understanding. But in order to arrive at that economic understanding something more is needed for the average man and woman than the channels of dissemination presently employed. In the professions, the applied arts and the trades, the departments tend to become smaller. The specialization of mind and hand is everywhere applied and in the economic sphere it also works. The only field to-day where it does not seem to work is in the political field, where the ordinary man would have the right to imagine it should be real and applied. So far as concerns the people's business, the method is rejected. There is no political problem that has not in some degree an economic aspect, and vice versa, but the atmosphere of government is hostile to specialization.

Your Committee therefore in considering the subjects of discussion for this Conference came to the conclusion that in view of our present economic conditions something might be done and some good accomplished by a two days' session devoted to subjects of taxation in various aspects led by those who have specialized in certain fields of economics and whom we might designate as experts.

To that end a programme has been devised. It is bound to be interesting. I hope it will prove instructive. It cannot but be helpful if expression is given of all the points of view of the different organizations here represented. The discussion need not be acrimonious. Delegates will remember we are dealing with causes and effects not with personalities.

Mr. Glen: We will have to have in the first instance a Nominating Committee for the purpose of appointing a Resolutions Committee. At

the last Conference it was left to me to name some gentlemen. That Nominating Committee has the power of bringing before us a resolution for the appointment of a Resolutions Committee. It has been suggested that a committee of fifteen might well represent most of the different points of view—would that be agreed? (Agreed.)

Mr. Glen: Mr. Hunt, I have here replies from the different organizations which I will hand to you. Now, as regards the papers given by speakers on the program—we will have to follow a little different order. What I propose to do is this. As part of the program consists of reports on the resolutions, the gentlemen who are named on the program will give a report on a resolution, and will add their remarks as to what has been done. Now, the second part of the program, I know there are several papers to be given by different gentlemen—I propose to follow this order. I am sorry that the delegates are not all-present. These papers and reports will be given by the gentlemen, and resolutions will probably arise out of them. I would ask that those who are giving papers will hand a copy of their resolutions to Mr. Hunt, so that it can be dealt with before 2 p.m. After the speaker finishes his address he will move his resolution and will be seconded. The discussion will follow right away on the resolution, and the vote will be taken. Any other resolutions arising out of the address which some delegate or member of the Conference may wish to submit can be drawn up, and then these resolutions can be put in the hands of the Resolutions Committee, and they will come in in the order of business. You will remember that at the last Conference a time limit was set upon the papers that were given and also on the discussion which followed. The Resolutions Committee thought they would set a time limit at that time to the speakers and the discussion of five minutes. That was rather drastic and sometimes involved hardship for anyone who wished to contribute something really worth while to the discussion. So we have resolved to place no time limit either on the speakers or those reading a paper or moving a resolution. I want, however, to warn the Conference that we have some very controversial subjects to be discussed. It might happen that the time of the Conference will be taken up very largely with discussion and we might not be able to carry out the full program—if I find that the time is being taken up too much, that members are not confining themselves solely to the point at issue, I may ask that a time limit be set. I trust, however, that there will be no trespass on the time, and that we will have discussion really worth while. I would ask the Nominating Committee to retire at their convenience and appoint their Resolutions Committee, and if possible bring in that Resolutions Committee this morning rather than wait till 2 p.m., and that all those who have resolutions already written out will immediately hand them to Mr. Hunt who will hold them until a chairman is appointed. The next item is a report on the Resolution (No. 1) passed at the last Conference, by Mr. D. G. McKenzie.

GENERAL POLICY

RESOLUTION No. 1.

Mr. Chairman, Ladies and Gentlemen:

In presenting to you a report on the action taken in respect to resolution No. 1, passed at the Economic Conference, held in Winnipeg, in March, 1924, would say that the resolution reads as follows:

"Whereas, in the opinion of this conference, the future prosperity of Manitoba is dependent upon the development and prosperity of the agricultural industry,

"And whereas, in the process of postwar readjustment the prices of agricultural products have decreased to a much greater degree than have the prices of the commodities the farmer must purchase;

"And whereas, this disparity in prices has resulted in undue hardship to those engaged in agriculture;

"Be it resolved that this conference, representative of a wide variety of interests in the province of Manitoba, pledges itself to a sympathetic co-operation in an effort to give effect to the following proposals:

- "1. The development of a community pride, loyalty and progress through local organizations.
- "2. Economy in production through individual and joint effort in crop and livestock improvement and efficient farm management.
- "3. Diversification of agriculture in order to lower costs of production, distribute risks and increase annual farm revenue.
- "4. Encouragement of agricultural education by further development of the investigational, experimental and extension work of the Manitoba Agricultural College.
- "5. Standardization and improvement in the quality of farm products with a view of developing a greater demand for the products of Manitoba farms.
- "6. The encouragement of co-operation in marketing.
- "7. The development of wider markets for Manitoba's agricultural products.
- "8. Reduction of transportation costs.
- "9. The readjustment of agricultural credit facilities in order to aid economic and diversified production.
- "10. The encouragement of selected immigration and supervised land settlement, in order to develop our vast natural resources.

"And be it further resolved, that the executive committee select a representative committee to assist in the promotion of these policies."

You will note that this resolution very readily divides itself into two parts, the first five clauses dealing with those phases of agriculture which immediately affects conditions on the farm, and which improvement can be brought about mainly by the farmers' own efforts. This involves a remedy effected by co-operative effort among the farmers themselves. The latter clauses of the resolution, however, are largely governed by legislative action which is effected largely by the development and expression of public opinion that can only be secured by co-operation between the rural and urban committees. Dealing with these various clauses let me say that a great deal has been done during the last twelve months in the way of developing mixed farming, improving the quality of our product, and encouraging co-operative marketing. In the doing of this work we have received loyal support from the Manitoba Agricultural College and the Extension Service, and there is undoubtedly a growing appreciation of these institutions on the part of the farmers generally and a greater desire to make use of the scientific knowledge, investigational work and facilities provided by these institutions. Mention need only be made of the formation of the Manitoba Wheat Pool to suggest the development in this respect.

Dealing with clause No. 7, suggesting wider markets for Manitoba agricultural products, let me say that the importance of this cannot be over-emphasized. If mixed farming is to improve our position by greatly stimulating the production of the various by-products of the farm, steps must be taken at the same time to insure an adequate market for this greatly increased production. We feel that if the farmer does his share and increases production he has a right to expect that urban community that is as vitally concerned with the successful development of agriculture as the farmer, will give him some evidence of their willingness to cooperate in the finding of such a market. These products must find access to the foreign market which brings us into the realm of international trade, and any restricted trade policy must inevitably operate against the securing of the world's markets for Manitoba's agricultural products. The whole question is one of such extreme importance as to require the further favorable consideration of this Conference.

Dealing with the problem of transportation I would say that the whole question has received a great deal of consideration during the last year. The position of the Crow's Nest Pass Agreement has been fairly well defined and in addition, the problem of the new freights classification has received attention. In both of these matters, we would like to express our very cordial appreciation of the very effective support and co-operation that we have received from the Winnipeg Board of Trade and other business organizations in urban communities. These are surely good evidence of what can be accomplished by co-

operative effort between town and country. The problem of transportation will always be with us as one of extreme importance and one that will constantly require serious attention. We believe that in this respect, the completion of the Hudson's Bay Railway would be a big factor in regulating transportation costs and should be urgently pressed for by this conference.

In the matter of agricultural credits I would report that in this matter also we have succeeded in getting together with our Mortgage Loan and Credit institutions. A Conference with them was held last December, with, we believe, very beneficial effects and we feel that with a continuation of these conferences, a basis for improved credit facilities that would be mutually satisfactory, may yet be arrived at.

Perhaps little advancement may be reported in respect to the last clause of the resolution but I am firmly of the opinion that if our natural resources are to be developed and made available for the people of this province, a sound selective immigration and land settlement policy is necessary. Perhaps the weakness of our immigration schemes in the past has been that there has not accompanied these, a sound policy of land settlement. We think that at the present time immigrants should be settled in those portions of the country that are already provided with all facilities such as transportation, schools, good roads, etc. If this is done wisely and effectively it will undoubtedly be a great stimulus in increased production and assists materially in spreading the present heavy burden of taxation. May we not urge, therefore, that the Conference assembled now, will before adjourning, declare itself very strongly in favor of a selective immigration policy, coupled with a sound system of land settlement.

The next item was the report on Resolution No. 2 passed at the last Conference. The resolution reads as follows:

ECONOMIC RESEARCH

RESOLUTION No. 2.

Moved by **Mr. A. E. McKenzie** (Brandon),

Seconded by **Mr. D. Ross**, (Winnipeg).

WHEREAS the question of relationship between Agriculture, Industry and Labor in Manitoba has been squarely raised by the introduction of papers at this Conference,

AND WHEREAS it is recognized that present conditions make it wise and imperative upon the Agricultural, Industrial and Labor Groups to establish and maintain in Manitoba the most favourable conditions obtainable in order to take advantage of the future opportunities this Province offers for Agriculture, Industrial and Commercial development:

THEREFORE as a means towards improvement, this Conference recommends the appointment of an Economic Research Committee by the

Conference to suggest ways and means with a view of attempting to solve our economic problems, particularly in respect to lessening the differential cost between agriculture and industry.

Mr. Roland, reporting on the resolution, said:

There is very little to say outside of the resolution itself which you have adopted, and which has been covered very well by Mr. Glen's remarks at the opening of this meeting. The resolution itself was the result of a recommendation 'that this annual conference be continued.' That is, I think, the essence of the resolution. I believe the pamphlet we used last year shows the object to be "A fact-finding conference, for the discussion of economics from the standpoint of improving rural and urban conditions in Manitoba." These were the aims the conference adopted last year. The work done by the committee has merely been along the lines of the recommendation of this particular resolution last year. I am sure that we all were very much satisfied in reading in the Lieutenant-Governor's Speech from the Throne, the reference he made to the necessity for research and a general survey of the natural resources of this Province, and that in speaking of this Premier Bracken expressed his Government as being in accord with that policy of initiating a movement here that will go towards the development of our natural resources. The idea since has taken more definite form. The City of Winnipeg has committed itself to that policy, and has appointed a committee of the City Council who are going into research work, to co-operate with all these other bodies to make this survey. Further, the business men of the city, through the Winnipeg Board of Trade, have organized a band to co-operate with the Government and with the City in a financial way in order to furnish the necessary funds to bring about that work. There is a lot of preliminary research work to be done. A part of the policy of the Economic Research Conference is to foster a scientific spirit to induce co-operative effort for research work among the many organized bodies, represented at our annual conference.

I don't think there is anything further to say, Mr. Chairman, except that the resolution in itself as adopted, and the remarks you have made, clearly sets before the conference the aim and object of the resolution passed.

Mr. Glen: I have on the program here a report on Resolution No. 3 (Re Hudsons Bay Railroad) by Mr. Iverach.

Mr. Iverach stated that he was not prepared to report then.

The next item was the report on Resolution No. 4 passed at the last conference. The resolution is as follows:

NATURAL RESOURCES

RESOLUTION No. 4.

Moved by **Prof. R. C. Wallace**,

Seconded by **Mr. Bond**.

THAT as the development of the natural resources of the Province.

is a matter of fundamental importance to our Economic welfare, there be organized a Provincial body representative of Scientific, Technical and Business interests to acquire information, direct investigation and publish details with reference to the resources that may be utilized to promote industry and stimulate the Economic life of the Province.

Mr. E. K. Marshall, in reporting on the resolution, said:

The subject I have to deal with is a report upon what has been done with regard to Resolution No. 4, dealing with Natural Resources. (Mr. Marshall here read the resolution.) A Committee was appointed to deal with that and prepare a report, on August 13th, and a report was presented in November, and this is the report. It is practically what has been accomplished in the meantime:

The Report read as follows:

Your committee has been looking into this Resolution with some care, and we now present a preliminary report. We found as we worked through the various details which came within our survey, that it was a very complicated piece of investigation, and we could not attempt to complete it during the time at our disposal.

We would suggest investigation along the following lines. These are not in order of their importance but are set down as they occurred to us whilst we were considering the general programme:—

(A)—Minerals:

Your committee believes that investigation should be conducted by men from the University who would make use of the practical knowledge of the mining interest, much of which we find is available but has not been sought. We find that the possibilities of the mineral wealth of this Province are very great, and we are convinced that a careful investigation would prevent waste of public and private resources. We believe a careful survey would prevent investments which might in the end prove to be rather unproductive; at the same time private enterprise and initiative should not be discouraged. The investigations, rather, should encourage such.

(B)—WATER POWER:

We recognize that the Dominion Water Power Branch has done a great deal of work along this line. The most difficult phase of the problem, to our thinking, is not along the line of research as to the actual resources, but rather lies in the administrative part of it. We are not prepared to discuss this phase of it now, because both the Provincial and Dominion Governments seem to have their rights rather undetermined. We think that this matter should be decided upon from a legal standpoint quite soon. We cannot expect business enterprises to concern themselves with extensive developments where the administrative end of it is uncertain. Private enterprise will be discouraged more than public. Uncertainty is ruinous to any business enterprise whose activities necessarily must continue many years.

(C) PLANTS AND GRAIN AS RELATED TO CLIMATE AND SOIL

We recognize that both the University and the Agricultural College are doing good work along the line of development of plants and grains which may prove more suitable to the environment of our territory. In connection with this matter, grain disease should be carefully and fully investigated. The most vital problem facing us today, touching our wheat crop, is that of rust. Possibly there is nothing which concerns us more closely than the elimination of this plant disease. A few hours of hot moist soggy weather and a hundred million wheat crop disappears, followed by hardship on farm, in town, and among manufactories. We urge upon our Governments, Provincial and Dominion, immediate action, and suggest that all the scientific resources of our universities and agricultural colleges be used in a supreme effort to discover means of coping with it.

We have but to think of the value of the researches of such men as Burbank to vision the possibilities that lie before us in this province. We urge continued assistance to and expansion of scientific research.

(D) ANIMALS

In the line of stock raising and that portion of the resources of the country, we think that a permanent public policy might be considered and developed. We are not thinking so much of transportation or marketing as we are of the breeding of cattle, elimination of diseases, and the use of our extensive vegetable life in such a way that stock raising will be made more profitable in Manitoba.

We recognize that the grain area is more limited than the grass area. We think that much could be done along the line of developing sturdy and profitable breeds of cattle, sheep, hogs, etc. It should be a permanent effort, guided by a sane, well-considered policy.

(E) SOIL

Owing to the limited areas that we have in this Province we believe that this is a very big consideration—the matter of our soil. Investigations should be conducted along the line of developing such grain as will be suitable to the different varieties of our soil and climate. Different parts of the country must be cropped according to the soil and the climate of that particular district. Very valuable research work here, too, is being done at the University and Agricultural College, and it could be continued without adding very much more expense, possibly if the work was considered a little more carefully in line with permanent policy. The province should be mapped out in areas suitable for certain grains or industries and not left any longer to haphazard. It should not be left to the bitter experience of the individual farmer or business man.

(F) BEES

The bee industry we find to be a valuable resource, and we find development in this department very extensive indeed. The apiarist has done very valuable work. We think the matter can be very well left to the Agricultural College to continue research and development plans.

(G) TIMBER

Under this heading we are considering the two phases of the question, namely, lumber and pulp wood. We really do not know the extent of our wealth in this province along this line. We fear that the fire-rangers have not given us as much information as we would like. Development of this resource must proceed very carefully because of its close relationship to the needs of our various communities, and the influence of forest areas upon the sources of streams and rivers. We also recognize that in this matter the rights of the province are somewhat indefinite, and before commercial enterprises are invited to enter very largely upon this phase of development, the legal aspects of it should be settled. We look upon the forests as a great public resource that requires protection and development as well as utilization in the industrial life of the country.

A very valuable department of scientific research in connection with the forest is that which concerns the disease of trees. The bacteriologist can use his knowledge here to a great advantage. We are just at the beginning of important developments along the line of controlling bacteria; and the life of the forest is largely determined by these minute life organisms.

It should be noted, too, that possibly no where else are our natural resources exposed to such danger as in this. We believe that every precaution should be used to safeguard this great resource. Much, we should add, is now being done by our fire rangers.

(H) FURS

Valuable work has been done in regard to this resource in connection with the Zoological Department of the University and Agricultural College. This resource, we believe, is largely provincial in its control. It very closely links up with forests, and as development of the country proceeds, the matter of safeguarding our fur reserves must be considered too. We find that the Indian trapper is, probably, more anxious to conserve this resource than are some of our own people, who are prone to be wanton in this matter.

Another phase which must be considered, too, is disease among wild animals. This is a matter which is not very well understood, but hunters and trappers are face to face with the problem at regular intervals. It can very profitably be considered later on in the regular survey of our resources.

(I) FISHERIES

Co-operation of business interests here, together with the University and Agricultural College, might be made of value in safeguarding this resource. It is one of our valuable resources, but it is one that is still in its early stages of development.

Some other matters which we considered worthy of looking into were these:—

1.—Use of Straw

So far as we know, very little research has been done in this Province along this line; something has been done in some of the other parts of the Dominion, but as yet nothing concrete has come from it. We believe that this is a resource which has great possibilities in it. Applied chemistry may quite possibly uncover secret resources in our straw piles. As we have said before, industrial development and scientific research must go hand in hand. This is one where they are very closely linked together. What might be possible in the chemical laboratory might not prove industrially possible or profitable. In all of these matters we have been trying to keep in mind such developments as will really be worth while for us to pursue.

2.—Cement

Manitoba has a very great resource in both Portland and natural cement. In some other parts of the Dominion very valuable research work has been carried on in this sphere, so we do not think it should be repeated here. We just wish to point out that the use of cement on the farm and in industrial life generally is in its early stages. It is a source of satisfaction to us to know that we have such large natural resources lying right at our very doors.

3.—Corrosion

The third particular item which we considered and which we think could very well be conducted further, is that of corrosion of iron and steel. Electrolysis is a very vital question in the city of Winnipeg. It is gratifying to know that Professor Shipley has and is conducting promising work in this sphere. It is a challenge to the very best thought of our generation. We must discover some means of overcoming corrosion. When the discovery is made, we shall find it will eliminate a very large portion of our expense.

4.—By-products

The study of by-products is an important phase of research. Occasionally the by-product becomes a matter of primary industrial consideration. Really there is no such thing as an absolute waste in nature. Through our lack of knowledge we perish. I am interested in the discovery in Great Britain of the low temperature carbonization of coal. This will be adopted there as quickly as it becomes mechanically possible, and will give freedom from smoke, as well as permit the use on a profitable basis of low grade coals and peats.

The above will serve as a preliminary report of what we think should be done along the line of natural resources. Many of these are linked up with Dominion Rights. Some of them are linked with Municipal Rights, and all of them are more or less linked with industrial and commercial enterprises, and they should be investigated and development should be directed into permanent channels. It is recognized that where development has had the aid of scientific research, it has been of great advantage to people generally. It would be wise to investigate

details and encourage industry along the line of these investigations. Our industries have much to encourage them in the matter of cheap water power. Other resources which we have named must be used more fully as the years go by.

The Natural Resources Problem is a very complex one indeed. The various divisions of it are strangely and most intricately interwoven one with the other, and, again, with our social and industrial life. Some of them can be exhausted much more quickly than our experts at first fancy. Again, their use by man disturbs the nice balance preserved by nature. So, our enquiry should keep in mind the future requirements of our people.

There is one resource which we have not touched upon, and that is the resource of human personality. This, of course, is a matter which concerns schools more particularly, but nevertheless we can never be expected to develop the natural resources of Manitoba without putting some very particular stress upon the development of human worth and ability. We think that some investigation should be conducted towards using the capabilities and ingenuity of the people of this Province, particularly the younger generation.

This industrial training is not to be confined to manufacturers; we are thinking of such school training as will enable the young people to adapt themselves to whatever sphere of life they may concern themselves, whether it be Agriculture or what not. We are convinced that if our schooling emphasizes too much one phase of it, that it will be detrimental to the development of the Province as a whole.

You will notice by what we have said that this is a preliminary survey, and, as we said before, when we look into it we find a great deal of information at our hand which has not yet been used, and which we seem to be unable to use. We think that the care of much of this could be turned over to other organizations and to some of our industrial experts.

I beg leave, therefore, to submit the above as a preliminary report.

E. K. MARSHALL, Convener.

The Chairman then called on Mr. A. M. Fraser to speak on Resolution No. 6:

REAL PROPERTY TAXATION

Mr. Fraser:

Mr. Chairman,—As I have been asked to introduce the subject of Real Property Taxation this afternoon, I understand that it will not be necessary for me to present the report on Resolution No. 6 at this time.

Resolution No. 5, passed at the last conference, was then reported on. The Resolution is as follows:

ECONOMY IN PUBLIC SERVICE
RESOLUTION NO. 5.

Moved by **Mr. C. B. McColl**

Seconded by **Mr. French.**

WHEREAS the multiplicity of offices and departments in all Public service in Canada has enormously increased the financial burden of the people, providing no increase in wealth or production and retarding instead of furthering the development and prosperity of our country;

AND WHEREAS the Public Debt in Canada is continually on the increase, necessitating heavy borrowings, thus withdrawing capital from production and industry;

AND WHEREAS those public works which are essential to the progress and development of our country are being delayed on grounds of economy;

BE IT RESOLVED, that this conference is of opinion that drastic steps should be taken to curtail all extravagant overhead in public services, so that every dollar of public money may be effective for the prosperity of our country and people.

Mr. Curle, in reporting on the resolution, said:—

This resolution, you will notice aims at directing the attention of all governing bodies to the absolute necessity for strict economy in all departments of public service, conforming with the present conditions existing in Canada. It is unnecessary for me to stress the importance of this practice. The average citizen in Canada today is obliged to follow this course. The citizens of Canada are expecting economy, and there is evidence that their wishes will be regarded by the Municipal, Provincial, and Dominion authorities.

Mr. Curle then read replies received from Premier Mackenzie King, from the office of the Premier of Manitoba, from the office of the Minister of Finance, Ottawa, and from the Hon. F. M. Black, Provincial Treasurer of Manitoba, to whom copies of the resolution had been submitted.

The Correspondence was as follows:

1.

Winnipeg, August 28th, 1924.

Hon. John Bracken,

Premier of Manitoba,

Parliament Buildings, Winnipeg, Man.

Dear Sir:

At a meeting of the permanent committee of the Manitoba Economic Conference, held on August 13, I was directed to send you a copy of Resolution No. 5, passed at the first Manitoba Economic Conference held in Winnipeg on March 12 and 13, 1924.

After you have examined this resolution, I am sure the committee

would appreciate your comment on the same.

Yours very truly,

J. H. CURLE,
Secretary.

JHC—CD.
Encl. 1.

Sent also to Premier Hon. W. L. Mackenzie King; Acting Minister of Finance, Hon. J. A. Robb; Hon. F. M. Black, Treasurer of Manitoba.

2.

J. H. Curle, Esq.,
Secretary, Manitoba Provincial Board,
The Retail Merchants Association of Canada,
204 Canada Building, Winnipeg.

Dear Sir:

Re Manitoba Economic Conference.

The Prime Minister has asked me to acknowledge receipt of your letter of August the 28th, enclosing a resolution adopted by the Manitoba Economic Conference, urging the curtailment of all extravagant overhead in the Public Service, so that every dollar of public money may be effectively used for the prosperity of the country.

Mr. King much appreciated your courtesy in making him acquainted with the representations of your letter, which, he desires me to add, shall have his careful attention.

Yours faithfully,

(Sgd.)

F. A. MCGREGOR,

Private Secretary.

3.

Dear Sir:

Re Manitoba Economic Conference.

In the absence of Mr. Robb I beg to acknowledge receipt of your letter of 28th ult., enclosing copy of resolution passed by the first Manitoba Economic Conference on the subject of economy in the public service.

When Mr. Robb returns to Ottawa, your letter and the resolution will be placed before him.

Yours faithfully,

M. B. MACPHERSON,

Private Secretary

J. H. Curle, Secretary,
Manitoba Provincial Board,
The Retail Merchants Association of Canada,
204 Canada Building, Winnipeg.

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4.

Mr. J. H. Curle,

The Retail Merchants Association of Canada,
204 Canada Building, Winnipeg.

Dear Sir:

Re Resolution 5, Manitoba Economic Conference.

I beg to acknowledge receipt of your letter of 28th inst. to Premier Bracken, enclosing copy of Resolution No. 5, passed at the first Manitoba Economic Conference, held in Winnipeg on March 12th and 13th last.

The Premier is at present out of the city, but upon his return about September 10th, your communication will be brought to his attention.

Yours truly,

(Sgd.)

Q. LOGAN,

Secretary to the Premier.

5.

Winnipeg, August 29th, 1924.

J. H. Curle, Esq.,

The Retail Merchants Association of Canada,
204 Canada Building, Winnipeg.

Dear Sir:

Re Resolution No. 5, Manitoba Economic Conference

Replying to your letter of 28th inst., the conclusion reached in Resolution No. 5, copy of which was enclosed, deserves the endorsement of every public man, when it states that "drastic steps should be taken to curtail all extravagant overhead in public service."

Doubtless some of the extravagant overhead has been created before public opinion was sufficiently aroused to note what the governments were doing; but if controllable, everything of that nature should be eliminated as quickly as possible, and in my opinion, in the Dominion and most of the Provincial Governments, something at least is being attempted along this line.

Faithfully yours,

(Sgd.)

F. M. BLACK,

Provincial Treasurer.

The Chairman then called on Mr. T. A. Hunt, K.C., to submit a report on "Constitution." Mr. Hunt said:

Mr. Chairman, and Gentlemen:—

I really have nothing to report. When the committee came to size up the different things involved in connection with a conference like this, we thought it advisable not to tie the conference down to any specific rules or regulations. It is difficult to get the different organizations represented in their individual capacities, and we thought the best plan, if we were going to use this conference for the purpose of

ironing out the differences existing between the urban and the rural communities, to leave the whole matter over, and let the good sense of the meeting determine what the line of action should be. We felt that this conference could best serve the purpose for which it was originally intended by not tying it down to any rules. Therefore, we did not report on any constitution.

Mr. Glen: I think that clears the decks, as to what happened at the last conference. This afternoon we will begin with the real matters for discussion. The nominating committee have a resolution to submit now. They suggest the following names as Committee on Resolutions:

Brown, Mrs. L., Winnipeg.
Deacon, T. R., Winnipeg.
Finch, Miss M. E., Winnipeg.
Grant, Prof. H. C., Agricultural College.
Graham, F. L., Winnipeg.
Hunt, T. A., K.C., Winnipeg.
Iverach, William,, Isabella.
Larcombe, S., Birtle.
Murchie, Prof. R. W., Agricultural College.
Magill, Dr. Robert.
McDonald, D. D., Dauphin.
Paterson, R. W., Winnipeg.
Roland, C. F., Winnipeg.
Wright, Peter, Myrtle.
Whellams, H. C., North Kildonan.

The adoption of the above names was moved by Mr. Hunt, seconded by Mr. Iverach, and on the question being put it was carried unanimously. The meeting was then adjourned till 2 p.m.

THURSDAY AFTERNOON, 2 O'CLOCK.

HUDSONS BAY RAILROAD

RESOLUTION NO. 3.

Mr. Glen: Mr. Iverach will report on the Hudson Bay Railroad.

Mr. Iverach: I did not have the facilities to bring you the information on the Hudson Bay Railroad that I felt I ought to, and so I am going to ask General Paterson to report on this question instead of me.

Mr. Paterson in his report said:

Mr. Chairman and Gentlemen:

I am not properly on the Agenda of this Conference, but as Mr. Iverach has asked me to take his place and give some information about the Hudson Bay Railway, I will try to do so. After all, it is a labor of love, as I feel certain that the completion of this project is of the most vital importance to the welfare of the Prairie Provinces.

As the President of the "On to the Bay" Association, I have made a most careful investigation of this subject. I spent some time in Ottawa gathering information, and have made two trips up the railway, once

to the end of steel in May last, and later through to Nelson in September, spending three days at the port. On the latter occasion I was in the company of the Premier of the Province, and Mr. Hoey, M.P. Both of these gentlemen started north very dubious as to the feasibility of the route, and returned firmly convinced, not only of its feasibility, but as to the necessity of its immediate completion. They have both gone on record publicly, so that I have no fear of contradiction.

In May the Railway was in poor shape, owing to the failure of ties, which had done duty without replacement for over ten years, but the roadbed was in remarkably good shape, considering that there had been no maintenance since the discontinuance of work on the road in the fall of 1918. The stories that have been circulated that the road was sinking into the muskeg are absolutely untrue. The resident engineer at Nelson, who was one of our party, told me that he knew of no stretch of railway of equal length on the continent where the conditions were so favorable to railway construction and maintenance. He further stated that at no place on the line was hardpan or other firm foundation more than seven or eight feet below the ties. As a matter of fact, a large portion of the line runs over solid rock, and there is no true muskeg north of The Pas—nothing more serious than shallow marsh.

During 1924 the Government, by the expenditure of \$350,000, practically re-tied and re-ballasted the first 239 miles of the road from The Pas north, and during the present winter have sent in large numbers of ties, which are being distributed along the line beyond 239. One hundred thousand entire yards of gravel were put on the road last year, and when I saw it in September the first two hundred miles of the road was in as good condition as any branch line in the Province. Long stretches were equal to the C. P. Railway main line.

The road was completed in 1918 for 332 miles, and the grade was built right through to Nelson. There are three bridges of the first class on the line, not taking into consideration the bridge to the artificial island at the Port. One of these bridges crosses the Saskatchewan at The Pas, one at the first crossing of the Nelson at Manitou Rapids, and the third at the second crossing of the Nelson at Kettle Rapids (the present end of steel). These are very fine structures, and in perfect condition. In addition there is a seventeen-span steel bridge, 3,500 feet long, connecting the mainland at Nelson with the artificial island where it is proposed to build the docks, elevators, warehouses, etc. I understand the aggregate cost of these bridges was about two million dollars. There are no more large bridges to build. There are two rivers on the uncompleted portion of the line, where wooden trestle bridges will have to be built, as well as some small creek crossings and culverts. The majority of the material for this purpose is already on the ground, and in good condition. The line is for all practical purposes double tracked, there being sidings, each 4,000 feet long, on an average of six miles apart on the completed portion. It is laid

throughout, including sidings and gravel pits, with 80-lb. steel, and the water supply is provided by class 1 tanks, similar to those on the main line of the Canadian National. All these tanks and their pumping stations are in good order, except two which have been destroyed by fire.

We walked some miles of the grade at both ends of the uncompleted section (which is 92 miles long), and found it to be in first class shape, and on enquiry were satisfied that the entire grade is in such shape that a track-laying machine could proceed with no more difficulty than it would have on Portage Avenue west of Headingly. On this grade full provision has been made for sidings and divisional points. I am informed by the former Chief Engineer of the Railway that, taking into consideration the large amount of material already on the ground and available, the railway can be completed to tidewater for \$1,000,000 or less, provided that proper economy be exercised.

Very large quantities of materials are now at mile 332 along the line and at Nelson, and gravel for ballast is available all along the line. At the Port we found that the works were in good condition. The bridge and that part of the island which has been built upon show no signs of having suffered from ice or storm conditions, and after careful enquiry we could find no foundation for the various adverse statements made (usually by interested parties) as to the difficulties to be overcome.

There would appear to be no serious ice or storm conditions to contend with. There is a wider and better channel from the Port to the Bay (20 miles) than that from Quebec to the ocean. A comparatively small amount of dredging (which, being through hardpan, would be done once for all) would assure a 20-foot low tide channel with a minimum depth of 33.7 feet at the lowest high tide on record, and a basin along that point of the docks with a minimum depth at all times of 30 feet. The silting problem does not appear to exist.

There have been six and a quarter million dollars already spent at the Port, and it is estimated that an additional one million dollars used to provide beacons, complete the docks and do a minimum of dredging, would provide sufficient facilities to give the Port a fair try-out. Great quantities of valuable supplies and equipment, such as tugs, ships, dredges, locomotives, steam shovels, etc., etc., are lying idle at the Port, and I believe that were the road completed and this equipment then disposed of, there would be sufficient realized to pay for the completion and leave a substantial balance.

There are no physical difficulties to be met with, so far as the railway and Port are concerned, and from what I can learn there seems to be none in connection with the navigation of the Bay and Strait for a reasonable period (say six months) of the year.

There are, however, serious difficulties to be overcome, and these are the ones raised by interested parties who seem willing to spend large sums of money to discredit the project.

The only way these can be overcome is by the people of the Prairies joining unanimously in demand that their money, raised by the sale of their land and held in trust by the Ottawa Government, be used for the purpose for which it was raised, and making it clearly understood that no further delay will be tolerated.

Mr. Glen: Next we have a paper by Mr. Fraser on Resolution No. 6, passed at the last Conference. The resolution is as follows:

REAL PROPERTY TAXATION.

RESOLUTION NO. 6.

Moved by **Mr. A. M. Fraser.**

Seconded by **Mr. W. T. Kirby.**

THAT the question of the soundness and equity of the real property tax as related to land and buildings locally assessed, in its present form of an annual tax on assessed capital values, be referred to a Committee on the Economic Conference for examination and report.

Mr. Fraser said: Mr. Chairman, I believe we have here copies of this Report (Report of a Special Committee appointed in pursuance of a Resolution passed by the Manitoba Economic Conference held in Winnipeg, March 12th and 13th, 1924, to consider the question of "The Soundness and Equity of the Real Property Tax in its present form of an Annual Tax on Assessed Capital Values"). I would ask that they be distributed to the audience. This was done and Mr. Fraser continued:

Mr. Chairman, Ladies and Gentlemen:

I have been asked to introduce this afternoon the subject of "Real Property Taxation," or "The Real Property Tax," and in connection therewith to submit a Report of the Special Committee, appointed in pursuance of a Resolution passed by the last Conference, in relation thereto. I have agreed to undertake this task with some trepidation, recognizing, as I do, that there must be many others here present better qualified than myself for this duty.

"The Real Property Tax" requires, to my mind, no introduction. It is a live subject at the present time, and on everybody's lips; and I am in accord with the views expressed in a letter which appeared in the Free Press of yesterday, which says: "The issue" (with which the Report deals) "viz., the more equitable distribution of the tax burden, is perhaps the most important one in the administration of public affairs in this City and Province," though that is about the only part of the letter with which I do agree. The writer is the same amiable and Christian gentleman who, a little less than a year ago, addressing the Grace Church Young Men's Club on a Sunday afternoon, said, that if he were in power, he would chloroform the Winnipeg Taxpayers' Association, along with the Winnipeg Board of Trade. Now, Mr. Chairman, this Second Manitoba Economic Conference is, as far as I know, the first responsible body in Canada which has undertaken the investigation of the Real Property Tax by a Special Committee that has got

the length of submitting a reasoned report, and I trust they will escape the dire fate awaiting the Winnipeg Taxpayers' Association and the Winnipeg Board of Trade, should the writer of the letter referred to ever come into power.

Origin and Constitution of the Committee

The Resolution referred to, which I had the pleasure of moving, seconded by Mr. W. T. Kirby, was in the following words: "Resolved, that the question of the soundness and equity of the Real Property Tax, as related to land and buildings locally assessed, in its present form of an annual tax on assessed capital values, be referred to a Committee of the Economic Conference for examination and report."

As mover of the Resolution, I was assigned the task of selecting the Committee and was given a free hand in that selection; and it was my aim to get together a Committee which would be fairly representative of all classes in the community, who would view the matter from all angles, and whose names would at the same time carry weight with the general public. Whether I have succeeded in my aim, Mr. Chairman, I will leave to the judgment of the Conference. but, though it is true that the signatories to the report have only signed in their individual capacities, and do not necessarily represent or bind their various organizations, I flatter myself that an examination of the signatures on the back of the report, which I am about to read, will show that at any rate I have not altogether failed; for the list of signatories comprises the names of the Mayors of three Manitoba cities, the Presidents (or ex-Presidents) of the Winnipeg Board of Trade, the Winnipeg Real Estate Exchange, the Winnipeg Taxpayers' Association, the Canadian Manufacturers' Association (Prairie Division), the Retail Merchants' Association of Canada (Winnipeg Branch), the Manitoba Association of Architects, the Secretary of the Winnipeg Grain Exchange, four King's Counsel, five Mortgage Loan and Investment Company Managers, four Trust Company Managers, two Chartered Accountants, two Grain Exporters, et al.

The Committee considered it their duty to adhere strictly to the terms of the remit, and to examine the Real Property Tax purely on basic principles of economics and ethics. They did not consider that it was within the scope of their inquiry to suggest constructive measures, as to which there might be great diversity of opinion, except insofar as these might be natural inferences to be drawn from their conclusions.

Their task was considerably lightened by the timely appearance of an able and most interesting paper on "The Real Property Tax," by Archibald B. Clark, M.A., F.S.S., Professor of Political Economy in the University of Manitoba (and a member of the Committee), originally written at the request of Dr. Horace L. Brittain, Director of the Citizens' Research Institute of Canada, to form the basis of discussion of the same subject at the recent Montreal Tax Conference last September. This paper, which has helped materially to clarify our ideas on the subject, was also taken as the basis of discussion by our Committee.

and when it became evident that all members of the Committee were in general agreement with the views expressed in the paper referred to, though not committing themselves to every detail, Professor Clark was requested by them to prepare the report which I hold in my hand, and as a Committee we feel much indebted to him for the trouble he has taken in summarizing and condensing into a four-page pamphlet the result of our deliberations, the conclusions at which we have arrived, with the reasons on which they are based.

I do not understand, Mr. Chairman, that it is expected of me to read a formal paper on the Real Property Tax, even if I were fully qualified to do so, which I doubt, and that this Conference had the time and inclination to listen. I understand that all that is expected of me is to present the Report of the Committee, and to move a resolution in favor of its adoption, by way of opening a discussion of the subject. I propose, therefore, to confine myself pretty closely to this duty, perhaps adding in support of the resolution a few remarks on the Real Property Tax of a general character, which possibly may be of interest. I shall therefore now read the Report of the Committee.

The Report

The Growing Cost of Government

"The heavy cost of government of Canada—Federal, Provincial and Municipal—has become a serious impediment to the economic progress of the country, involving as it does a burden of taxation so heavy as to materially increase the cost of living and retard the inflow of capital seeking investment, thus hampering industrial development.

Between 1914 and 1923 the Dominion Government expenditure, per head of population, increased from \$16.56 to \$36.33, or 119 per cent. In addition to this, there was in Manitoba, after deducting the revenue received from the Dominion by way of subsidy and interest on the school lands, fund a net Provincial Government expenditure, in the fiscal year ending 31st August, 1923, of \$14.59 per head; and in Winnipeg, after deducting the sum paid as Municipal Commissioner's levy to the Province, there was a net municipal expenditure of \$39.91 per head. There was thus a total expenditure of 90.83 per head of the people of Winnipeg, and of this the great bulk had to be met by taxation.

Between 1914 and 1923 the Dominion revenue from taxation increased from \$127,478,067, or \$16.57 per head, to \$335,654,799, or \$36.81 per head, i. e. the tax per head increased by 122 per cent.

Within the same period Manitoba's tax revenue increased from \$685,422.93 or about \$1.30 per head, to \$3,855,749.86 or \$6.32 per head. In 1914, it should be noted, there was no Provincial tax on real property, no amusement tax, and no gasoline tax.

Winnipeg's tax revenue exclusive of local improvement taxes and special assessments, increased from \$4,597,917.66, or \$22.62 per head, in 1914, to \$7,995,908.69, or \$40.12 per head, in 1923, exclusive of the Provincial Government levy but including the Water District levy, neither of which

existed at the earlier date.

Thus the total tax burden per head of the people of Winnipeg increased within a decade from \$40.49 to \$83.25, or \$416.25 for a family of five. The increase is clearly far greater than can be accounted for by the fall in the value of the dollar.

Even these figures, however, do not fully indicate the extent to which the burden of taxation falls on the citizens of Winnipeg, since no account is taken of the fact that the Dominion income tax is paid mainly by urban residents, and this, it must be noted, is true also of Manitoba's new Provincial income tax, now (1924) in force.

But apart altogether from this consideration, the tax burden is clearly such that, in a time of economic depression, there is little cause for wonder that the population of Winnipeg, instead of showing a natural rate of increase, has actually decreased within recent years. As a matter of fact, it has fallen from 203,255 in 1914 to 194,850 in 1924.

There is thus clearly pressing need for the most rigid economy in all departments of government.

The Municipal Tax System Inequitable

The full weight of the burden, moreover, is not disclosed by the tax per head, nor yet by the tax on the average family. The situation is greatly aggravated by the unequal and inequitable character of the distribution of municipal taxation. In Winnipeg, for example, in 1922, 83 per cent. of the general expenditure, including the Provincial Government levy, was met by the taxation of real property. Of the total taxation levied, including the Water District levy, but exclusive of local improvement taxes and special assessments, 94 per cent. was imposed on the real property owners as such. Including the Water District levy, the tax rate on real property has been more than doubled since 1917.

Local and Beneficial Services

Now there are reasons, well-founded alike in equity and in administrative experience, why the annual value of real property owned should be taken as the chief basis of taxation for the support of services which—while they cannot be measured and charged to consumers, like domestic water supply, or gas, or electric light and power—are yet of preponderantly local interest and benefit. Such local and beneficial services are, for example, public water supply, fire protection, public lighting, drainage, maintenance of streets and sidewalks, etc. The benefit of such services, while shared in by the citizens generally to some extent, does accrue in the main to the owners of real property in the locality, tending to enhance the value of their property.

General and Onerous Services

But there is no apparent economic or equitable ground for imposing on the owners of real property, as is done under the present system, almost exclusive financial responsibility for the support of the more general and onerous services performed by our municipalities, such as

the maintenance of public health, administration of justice, police and education. Services of this type are clearly of provincial or even national rather than merely local interest; and the appropriate basis of taxation for the support of such services is **ability to pay** rather than **benefit received**.

The ownership of real property, however, has long ceased to be even a roughly approximate measure of the citizen's **ability to pay taxes**; and its continued use as the measure of the citizen's liability for the support of general and onerous services has become a glaring anomaly, inequitable to the taxpayers and financially dangerous for the municipalities themselves. This is true even after the fullest allowance is made for the extent to which the tax on building value may be shifted to the tenants.

Taxation on Capital Value

The situation, both in respect of equity and of financial expediency is further aggravated by the system which prevails on this continent, under which real property is taxed not on the basis of its **annual** value but of its **capital value**. This is the older method and one which has long been discarded by the more progressive nations of Western Europe. A tax imposed at a uniform rate on the capital value of different properties, irrespective of their yield, has clearly no relation whatever to ability to pay. It is, for example, a much heavier burden on the owner of unimproved or only partially improved building sites within or near a growing city or town than a tax based on annual value. Indeed, as experience throughout Western Canada abundantly shows, it too often amounts to nothing less than a process of fairly rapid confiscation of property in the guise of taxation.

The Practical Outcome

The outcome of the policy which throws the burden of providing for general and onerous services on real property owners almost exclusively, when combined with the present system of taxation based on the capital value of such property, is seen in the enormous accumulation of arrears of taxes in Western Canada. In Winnipeg the tax arrears on 31st December, 1923, amounted to \$5,608,583, against a total tax levy of \$9,794,477 — and our latest information is that on 31st October, 1924, the city tax arrears amounted to \$6,028,000. In the nine suburban municipalities around Winnipeg, the tax arrears in 1923 were \$4,986,437, against a total tax levy of \$2,525,318; and in the municipalities of Manitoba as a whole the arrears at the close of 1923 inclusive of tax sales, were \$19,753,515 against a total tax levy of \$19,159,821.

Conclusion

For the above reasons, which are more fully set forth in the annexed paper on "The Real Property Tax"—which appeared in extenso in the Monetary Times of 7th November, 1924, (page 6), and with the substance of which the undersigned are in general agreement—**this Committee reports that the Real Property Tax, in its present form of an annual tax**

on assessed capital values, is neither equitable to the taxpayers nor sound fiscal policy on the part of the taxing authorities.

1. It is **inequitable**: (a) inasmuch as it throws almost exclusively on the real property owners financial responsibility for the **onerous**, provincial or national services at present performed by our municipalities—a burden which should be borne by the community in general on the basis of ability to pay: (b) inasmuch as the capital value of the real property owned has long ceased to be anything like a reliable measure of ability to pay.

2. Apart altogether from its inequity, the system is **financially unsound**, since in its practical operation it is leading to growing accumulations of arrears of taxes with consequent confiscation of property, the result being in many cases, a rapid contraction of the tax base, threatening the ultimate solvency of the municipalities themselves."

Dated at Winnipeg, 15th January, 1925.

SIGNATORIES:

J. A. Aikin.	J. A. McKerchar.
W. F. Alloway.	A. R. McNichol.
Alfred J. Andrews, K.C.	H. F. Osler.
H. Cater, (Mayor, Brandon)	Ernest S. Parker.
Archibald B. Clark.	John Parton, C.A.
D. Cooper, C.A.	R. W. Paterson.
J. G. Coster.	John Paton.
A. L. Crossin.	Isaac Pitblado, K.C.
F. W. Drewry.	C. F. Rannard.
A. English.	James A. Richardson.
Joseph Finkelstein.	E. G. Rogers.
H. F. Harman.	J. H. G. Russell.
Wm. Harvey.	C. D. Shepard.
S. R. Henderson.	P. C. Shepherd.
Theodore A. Hunt, K.C.	Sidney T. Smith.
W. A. Irish.	R. J. Swain, (Mayor, St. Boniface).
W. T. Kirby.	Travers Sweatman, K.C.
N. P. Lambert.	T. Turnbull.
J. H. C. Lawrence.	L. J. F. Van Riemsdyk.
Alexander Macdonald.	R. H. Webb, (Mayor, Winnipeg).
Robert Magill.	A. M. Fraser (Convener).

Mr. Chairman, that concludes the Report, and I now beg to move, seconded by T. A. Hunt, K.C., the following Resolution:

RESOLUTION No. 1.

"Resolved that this Conference, having considered the Report of the Special Committee on the Real Property Tax, approves of the same, and instructs that copies of the Report be sent to the Premier of Manitoba and members of the Provincial Cabinet, the Mayors of the cities and the Reeves and Secretary-Treasurers

* By Arch. B. Clark, M.A., F.S.S., Professor of Political Economy, University of Manitoba.

of the different municipalities in the Province."

Mr. Chairman, before sitting down I would like to offer a few remarks in support of the Resolution I have just moved:

(1) **With regard to the form of the Real Property Tax.** This tax, which appears to have existed at a very early stage of human history, was originally a tax upon annual value, and a percentage of annual value, not, as at present in this city and province, a capital levy of the worst description, because it is a levy on one form of capital investment and wealth only, to the exclusion of all others. Am I right in making this statement? Mr. Chairman, I think we may sometimes learn lessons, and get sound ideas, not only in the domain of religion, but in that of economics and ethics, and even science, from the Old Book. With regard to the matter under discussion, I think I may safely say that the earliest historical record we have of Real Property Taxation is to be found in the 47th chapter of Genesis, where we read (verses 18 to 26) that Joseph, the first Premier mentioned in human history, in the second year of the famine in the land of Egypt, after buying up the land in exchange for bread (not confiscating it, as is being done in Winnipeg today, but paying a fair price for it), gave it back to the people, along with seed grain to start another crop, while reserving the fifth part, or 20 per cent. of the annual increase or income (not the capital value) for Pharaoh. This, I think, I am correct in saying is the first instance we have on record of the payment of rent and taxes. This system, of course, adapted itself automatically (unlike our present system of capital value taxation) to the yield of the year. I ask, have we evolved or retrograded since the days of Joseph (a man, by the way, who got his wisdom from the Highest Source, and of whom it was said by his sovereign [Gen. 41, vv. 38-39]: "Can we find such a one as this is, a man in whom the Spirit of God is?" and to whom, addressing him, Pharaoh said: "For as much as God has showed thee all this, there is none so discreet and wise as thou art.")?

(2) **The Shocking Results of Capital Land Value Taxation.**—Are we not today slowly but surely being forced by hard facts, accumulation of tax arrears, and the dwindling tax-base, once more to revert to the common-sense system of raising a revenue, introduced by Joseph and re-affirmed as one of the famous four canons of taxation by the author of the Wealth of Nations? I venture to think that, had the principle involved in that system—namely, ability to pay—been the principle of taxation adopted in our Canadian Northwest, in the Municipal as well as in the Federal and Provincial spheres, we would not now be suffering, as we are today, from the accumulation of tax-arrears, amounting in our own province, inclusive of tax sales, in round figures to \$20,000,000, and in the City of Winnipeg to about \$6,000,000; while in the four provinces between the lakes and the Pacific they amount to an estimated total of together, between \$80,000,000 and \$100,000,000.

In the years 1918 and 1919 I instituted an enquiry as to tax-arrears in the Northwest of Canada, and found that these amounted to \$3,500,000

for Winnipeg, \$1,500,000 for St. Boniface, \$500,000 for Brandon, \$250,000 for Portage la Prairie, \$11,500,000 for the Province of Manitoba at large; in British Columbia, \$14,000,000, in Alberta \$20,000,000, and, as nearly as could be ascertained, more in Saskatchewan.

Tax arrears and tax sales are unknown in the Old Country, for the simple reason that taxation is based on ability to pay.

(3) **The New Zealand Taxation Commission Report.** — But now let us skip over a few thousand years of history, and let me call your attention to the most recent report on the subject by the New Zealand Taxation Commission, appointed last year "to enquire into and report upon Land and Income Tax," dated 30th May, 1924. This Commission, which was presided over by a Judge of the Supreme Court of New Zealand, reported, inter alia, as follows:

"Land Tax We received a great deal of evidence for and against land tax. The weight of evidence was against both land tax and graduated land tax, and in favor of abandoning both, and substituting the graduated income tax."

"Land and Income Tax must be considered together, as they dovetail into each other. The graduated system of income tax is sound in principle and necessary in practice. In order to put the graduated principle properly into practice it is necessary that every individual income from all sources should be brought together in one amount, so that the graduated rate of tax that applies to the whole income may be fixed."

"It is wrong in principle to vary the rate of taxation according to the source from which it is derived. All sources should pay at the same rate. Graduation or differentiation in the rate of tax should be according to the size of an individual's income, and not according to the source from which it is derived."

"The graduated system of income tax makes it necessary to aggregate income derived from land with other income for taxation purposes. For this and other reasons land tax, including graduated land tax should as soon as possible be abolished."

It will be noticed, therefore, that the report of the New Zealand Royal Commission, as a result of the most recent investigation of Real Property Taxation upon basic principles, once more confirms and approves the basis of annual value, or what may be called **"the golden rule of ability to pay,"** originally introduced by Joseph and endorsed by Adam Smith, the greatest economist of recent times. This, too, is the system of taxation which prevails in most European countries, including Great Britain, where tax arrears and tax sales are unknown and property is secure from confiscation, taxation being based on "ability to pay."

(4) **The Four Principles of Taxation,** as laid down by Adam Smith which have been so generally concurred in by economists that, as the Free Press recently said in an editorial, they are considered classical, are as follows:

"1.—The subjects of every state ought to contribute to the sup-

port of the government as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. In the observation or neglect of this maxim lies what is called the equality or inequality of taxation.

"2.—The tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor and to every other person. . . .

"3.—Every tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the contributor to pay it. . . .

"4.—Every tax ought to be so contrived as to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state."

To quote again from the Free Press article: "With regard to the first and most important maxim, viz., equality of taxation, John Stuart Mill once asked for the purpose of explanation: 'For what reason ought equality to be the rule in matters of taxation?' and answered his enquiry as follows:

'For the reason that it ought to be so in all affairs of government. As a government ought to make no distinction of persons or classes in the strength of their claims on it, whatever sacrifices it requires from them should be made to bear as nearly as possible with the same pressure upon all; which, it must be observed, is the mode by which the least sacrifice is occasioned on the whole. If any one bears less than his fair share of the burden, some other person must suffer more than his share, and the alleviation to the one is not, on the average, so great a good to him, as the increased pressure upon the other is an evil. Equality of taxation, therefore, as a maxim of politics, means equality of sacrifice. As in a case of voluntary subscription for a purpose in which all are interested, all are thought to have done their part fairly when each has contributed according to his means—that is, has made an equal sacrifice for the common object; in like manner should this be the principle of compulsory contributions; and it is superfluous to look for a more ingenious or recondite ground to rest the principle upon.'

If the time were at my disposal I should like to point out how the existing system lends itself to inflated assessments, and to what Dr. Adam Shortt, in his Report on the City of Victoria, B.C., calls "the crowning absurdity of all"—viz., that "the city will not accept the logical consequences of its own principles by admitting as the basis of assessment the market values which its own public tax sales establish." But time fails me, so I will not pursue this subject further, but will conclude by expressing my conviction that an unprejudiced examination of the Committees' Report will prove that **there is abundant evidence of the injustice and unsoundness of our present system of Real Property Taxation**, and that a drastic change therefore seems to be in order.

The above Resolution, approving the Report of the Special Committee, was then put to the Conference by the Chairman, and carried unanimously.

The Chairman then asked **Mr. David Cooper, C.A.**, to read a paper on Income Tax, and **Mr. Cooper** said as follows:

INCOME TAX.

It is in the order of things that the man who follows the profession of Chartered Accountancy should be a close student of income taxation, but apart from the purely professional aspect the subject has of recent years been of such pressing importance from a Federal, provincial and civic viewpoint, that it intimately concerns every citizen of our land; and each one of us should be able to explain the why and the wherefore of every system whereby we are called upon to contribute to the revenues of our city, province or country. It has been my privilege to have many opportunities of familiarizing myself with this topic in its many and varied relations, and it is on that account that I ventured to accept your invitation to address you today on so important a topic. If any statement of mine will lead to a closer study of the subject on the part of the public in general, I will feel that I have rendered some little service that is much needed, notwithstanding that such knowledge is not likely to add to the fortunes of those of us whose business it is to analyze and solve the problems which taxation presents.

Advocates of an income tax usually claim its superiority to most forms of taxation on the following grounds:

(1) The rate is elastic and productive, varying (in Britain) from 2d to 6s per pound.

(2) It is equitable in that it taxes a person according to his revenue or ability to pay.

(3) (a) It does not raise the cost of production of any article.

(b) It does not interfere with the course of trade.

(c) It does not fall on the man who is sustaining losses.

(d) It is not passed on to others as much as other taxes are.

On the other hand, it is admitted that any scale of progression in taxes must be purely arbitrary; that graduated taxation allows considerable opportunity for tax evasion, and therefore is not as fruitful as might be expected.

Professor Seligman sums up this kind of tax in these words:

"Income or revenue may not be the ideal test; for there is no absolute test which can exactly gauge all the varying personal circumstances of each individual. But it is the best workable test that governments can secure, and it is in harmony with the test imposed on the individual by the force of social opinion in regard to his duty to his own family."

These remarks relate primarily to taxes levied upon individuals or persons as distinguished from business concerns.

Taussig, in his "Principles of Economics," refers to an income tax on business concerns in the following words:

"Then it is clearly proper to provide that profits above a given rate of return on the investment shall be divided with the State."

Bearing these remarks in mind, let us examine the Dominion Income Tax Act (and a little later we shall look into the Provincial Act), and let us see to what extent these Acts operate along the lines suggested by those who favor such a tax.

The Dominion Act imposes three taxes known as the normal tax, the surtax and the additional tax. The normal tax rate on the income of individuals is 4% on income up to but not exceeding \$6,000.00, and 8% on all income over that amount, with prescribed exemptions for taxpayers, married and single, or for those having dependents to support.

For joint stock companies the normal tax is 10% of all profit in excess of \$2,000.00.

The surtaxes apply only to individuals, and not to joint stock companies, and the rate is:

1% on all income between \$5,000.00 and \$6,000.00.

2% on all income between 6,000.00 and 8,000.00.

3% on all income between 8,000.00 and 10,000.00.

And so on, increasing by 1% for each additional \$2,000.00 until a surtax rate of 48% is reached on the \$2,000.00 lying between \$98,000.00 and \$100,000.00. Beyond this point the rate changes to:

52% on income over \$100,000.00 and not exceeding \$150,000.00

56% on the income lying between \$150,000.00 and \$200,000.00.

60% on the income lying between \$200,000.00 and \$300,000.00.

63% on the income lying between \$300,000.00 and \$500,000.00.

64% on the income lying between \$500,000.00 and \$1,000,000.00.

65% on the income over \$1,000,000.00.

The surtaxes, as I have already stated, do not apply to joint stock companies. The additional tax applies to individuals and companies, and consists of a tax of 5% upon the normal tax and surtax in the case of individuals, and 5% upon the normal tax in the case of companies when the income, before deductions, amounts to \$5,000.00 or over.

Let us study the effect of the present tax laws and rates on an individual trader, earning, say, \$10,000.00. Now, it often happens that the earnings of a business cannot be wholly drawn out in cash, due to the requirements of the business; and for the purpose of illustrating, let us presume that one withdraws for his own use the sum of \$8,000.00. Just by way of illustrating the effect of profits or losses on outside investments, let us suppose that this taxpayer has outside investments upon which his loss for the year amounts to \$1,800.00.

Now, if this taxpayer is conducting his business under his own name and as a sole trader, his tax is \$619.50, allowing that he is married and without children.

If he forms a company and takes \$6,000.00 salary and \$2,000.00 dividend, his personal tax is \$182.70 and the company's tax is \$200.00, so that

we have a comparison now between \$619.50 and the two taxes just mentioned; totalling \$382.70. On the other hand, if this same person were operating as a company and that, instead of holding shares only, he held some shares and some bonds issued by the company, and that the \$8,000.00 he withdrew took the form of \$6,000.00 salary and \$2,000.00 interest on bonds, the company now pays no tax and his personal tax amounts to only \$199.50. So here we find the anomalous situation of three taxpayers all making the same profit, all drawing out of the business the same amount, and all losing the same amount on their private investments; yet their taxes are \$619.50, \$382.70 and \$199.50 respectively. Clearly there is room here for improvement.

Now let us take the case of a sole trader whose profit according to his books is \$150,000.00 for the year. Of that amount all that he has been able to draw out for his own use is the sum of \$30,000.00—the balance being required by the business in the way of plant, equipment, establishment of branches, etc. His personal tax is based on the \$150,000.00, and would amount to the sum of \$64,249.50, so that he finds it necessary to curtail the development of his concern or borrow the necessary money, an act which very often creates and places new stumbling-blocks in the path of many business concerns.

Income of over \$1,000,000.00 is subject to a normal tax of 8%

To which is added the maximum surtax of..... 65%

73.00

To both of which is added an additional 5% of the taxes 3.65%

Making a gross income tax of 76.65%

on all income in excess of a stated amount, leaving out of each \$100.00 earned only \$23.35 in the hands of the taxpayer. Income in excess of half a million dollars, but under one million, is subject to a normal tax of 8% and surtax of 64%, only 1% less than the tax imposed upon income in excess of \$1,000,000.00. Is it any wonder that these oppressive taxes tend to destroy individual initiative and seriously impede the development of productive business?

Let us take a still more extreme case, that of a person with a personal income of \$500,000.00 for the year 1922. Assume that he is engaged in many activities, that he is making big profits, but also that he is taking big risks, as is usually the case.

Supposing that through strikes or other causes he loses \$500,000.00 in 1923, and in 1924 his books show that he has again made \$500,000.00. In this case there is apparently a net profit for the three years of \$500,000.00, whereas in the year 1922 his tax amounts to \$318,349.00; he is allowed no rebate in respect of his loss for 1923, and in 1924 he is again called upon to pay the sum of \$318,349.00. So that we have the case of a taxpayer in three years earning but \$500,000.00, upon which his taxes have amounted to \$636,698.00! Is this taxing according to one's ability to pay?

These enormous taxes upon personal incomes and the glaring inequalities of the method of levying have resulted in persistent efforts at tax avoidance, and this, unfortunately, is accomplished in many ways.

One's taxes may be materially reduced under some circumstances through the creation of a joint stock company, under which the business may be conducted. In the case just mentioned, had the activities been conducted under the corporate form of doing business, the taxes would have been reduced to about one-quarter of the amount assessed under the plan of conducting business as a sole trader.

There was a time when to operate your business under your own name was considered the honorable thing, and when the forming of a company for the purpose of conducting your business was frowned upon, the suggestion being that the formation of a company was resorted to in order to free the proprietor from personal liability in respect of losses that might be sustained by the business. Are the present taxes equitably based, in view of these considerations?

If \$450,000.00 can be saved in taxes in such a case as I have cited, and corresponding savings effected in the case of concerns with smaller profits, then it is little wonder that taxpayers are forming companies and resorting to other tactics equally possible under the law, in an effort to reduce their taxes.

The following table relating to similar conditions in the United States is given merely to show that while the total income subject to income tax is on the increase, the incomes in the class of \$300,000.00 or over are decreasing. This, I contend, is the result of deliberate efforts at tax avoidance on the part of those suffering from the higher surtaxes, and it would be interesting to have information of this kind respecting the Dominion income tax returns. It would at least show to what extent the high surtaxes had failed to produce the revenue expected from this source.

Tax Avoidance U.S.A. Statistics

All Classes

Year	No. of Returns	Income stated in Millions	Returns	Income in Millions
1916.....	437,036	\$ 6,298	1296	993
1917.....	3,472,890	13,652	1015	731
1918.....	4,425,114	15,924	627	401
1919.....	5,332,760	19,859	679	440
1920.....	7,259,944	23,735	395	246
1921.....	6,662,176	19,577	246	153
1922.....	6,787,481	21,087	537	252

Unless this condition can be remedied, surely the continuance of the present high surtaxes is indefensible. Study of this subject leads to the conclusion that the present situation is not due mainly to defects in the form of the present law, although some defects exist which could be remedied with benefit to the revenue. The difficulty lies far deeper.

The distinction between capital and income is at best difficult to draw, and the complexities of modern business have greatly enhanced this difficulty. Tax laws must be specific, and, according to well settled rules of construction, must be interpreted strictly—any ambiguities being resolved in favor of the taxpayer. The form of every business transaction and, indeed, whether the transaction shall or shall not take place, is determined by the taxpayer, and his decision is reached with a knowledge of the tax law, and is usually framed so as to produce the greatest possible profit after taking taxes into consideration.

The difference in taxation between corporations and individuals creates in itself an almost insoluble difficulty. First we have the ease with which incorporation and disincorporation are effected. Then the difficulty of making laws and regulations governing corporations which will apply with equal justice to the large public corporation and to the small private company which really represents an individual fortune. And then we have the further fact that between these two extremes there are innumerable gradations, so that it is really impossible to draw hard and fast lines and to treat corporations on one side of the line in one way, and those on the other side in another way. These and other such conditions render it almost impossible for legislation to do more than place a temporary check on tax avoidance. So long as the inducements to shun this public duty are as compelling as they are today, so long will the practice be persisted in.

It goes without saying that a government that refuses to reduce the present surtaxes, and at the same time creates tax free securities whereby the wealthy can effectively free themselves of the high surtaxes, thus throwing a relatively heavier burden upon the rest of us, surely cannot expect the respect of the public on the grounds of its sincerity.

In my opinion it is entirely contrary to the principles of a democratic Canada that a vast amount of wealth should be completely beyond the reach of the taxing powers, however great an emergency may arise.

I read in an editorial of the Free Press on Monday of last week that in reply to a deputation from the Ontario Boards of Trade, who urged the Dominion Government to reduce the income tax rates, Hon. G. P. Graham, acting Prime Minister, dwelt upon the heavy financial obligations of the government, and he pointed out that it was handicapped in securing revenue by the existence of a very large amount of untaxable war bonds. He said:

"In the vaults of wealthy people in this country are millions and millions of dollars of securities that cannot be taxed. We are losing \$50,000,000 a year in revenue as a result of this."

The Free Press went on to say:

"It is the high income tax, of course, that leads people to place their money in untaxable bonds rather than in other investments, the returns from which would be subject to the income tax. It discourages them from putting it into industrial or commercial

enterprises, and it discourages outside capital from coming into the country for such purposes.

"If the income tax could be reduced to somewhere near the level of the United States tax, what would the result be? It is quite reasonable to believe that some of the money now lying in untaxable bonds would be taken out and put into business enterprises, and that more outside capital would also flow into the country, both of which results would mean increasing the volume of taxable income. The Minister of Finance, therefore, might not be sacrificing very much in the way of revenue by making a cut in the income tax.

"Moreover, next to the immigration of land settlers, it is of the utmost importance that Canada should encourage the application of capital to development work and the exploitation of the varied resources of the country. That is pretty generally recognized, but the present income tax puts a serious brake on such development.

"Again, the three main sources of Dominion revenue are the customs duties, the sales tax and the income tax. If a relaxation of the latter stimulated development work of various kinds, this would help to improve general business conditions, and the result would be increased revenue from the customs and from the sales tax."

With these views I am personally in accord, notwithstanding the opposite stand taken by some economists who hold that an income tax neither drives away capital nor puts a serious brake on trade development. I will discuss this more fully later, and will submit extracts from a report on "the effects of taxation," specially prepared for the British Committee on National Debt and Taxation in confirmation of the above views.

But in the meantime I wish to further demonstrate the workings of the Dominion Income Tax Act.

Let us now consider the case of three companies owned and controlled by one man.

One earns a gain of \$10,000.00, the other two suffer losses of \$10,000.00 each. No relief is given in respect of the two sustaining losses, whereas the company showing a gain is taxed to the fullest extent.

Here is a case of a person through his companies losing ten thousand, and at the same time being called upon to pay a tax as if he had actually earned \$10,000.00 instead of losing it!

In the United States one is permitted to report all three on a consolidated basis, which, I think you will agree, is a more just and equitable treatment of the case.

Let us now take the case of a public company with hundreds of shareholders. Up to this point I have been dealing with personal incomes or the incomes of those who have formed private joint stock companies in an effort to reduce their taxes.

In the case of a public joint stock company with many shareholders

I think it can be safely argued that the tax is merely passed on to the individual shareholders or the customers through reduced dividends or enhanced prices.

Take the case of a loan company, the revenue of which comes wholly from the loaning of money at interest. The company may have a capital of \$1,000,000.00, but due to adverse conditions it may be earning only $4\frac{1}{2}\%$ or 5% net on its capital. Five per cent. on the capital of the company would amount to \$50,000.00. The government in this case takes $10\frac{1}{2}\%$ of all profits in excess of \$2,000.00, so that the government in this case would take \$5,040.00 by way of income tax.

This tax is passed along to the individual shareholders, and many of these shareholders have incomes that do not bring them within the scope of the Income Tax Act. They become contributors, although their individual incomes, including their dividends, clearly do not bring them within the scope of the Act. (Illustrate by blackboard here.)

If the dividend is maintained without reduction it can only be done by increasing the interest rate to the borrowers, so that the company in either case is merely a collecting agency for the government, the tax being passed on to the borrowers, or to the individual shareholders.

In the case of a business concern having borrowed on its land and buildings, any increase in the interest rate becomes at once an increase in the business expense, and as such it will as surely be passed on to the consumer as any other item of expense.

I quite agree that a company should be taxed, provided it is making profits in excess of normal profits; but where the company is having difficulty in making ends meet, such company should not be further hampered in its activities by a tax imposed upon its already slender profits.

Just how far business taxes can be passed on to the consumer is a matter of much discussion. There are three well defined schools of thought in this connection. The first, carrying with it the unquestioned authority of Prof. E. R. A. Seligman, maintains that profits taxes cannot be shifted; that all efforts on the part of taxed agencies to redistribute them over the community through the media of higher prices meet with an effectual resistance on the part of the consuming public.

The second school of thought contends with equal definiteness that all profits taxes are actually paid by the consumer, and that the diffusion of such taxes is accomplished through the means of a changing price level. In other words, it is maintained that profits taxes constitute a cost of production.

The Standard Dictionary gives, among others, this definition of profit: "Value acquired over and above value parted with in the course of acquirement." Since taxes of every kind are parted with, the real profit is that which is left after the payment of all taxes, including income tax, although it is based on the profit before allowing any deduction for the income tax.

I am convinced from observations that at least a partial redistribu-

tion of the income tax levied on businesses is generally accomplished, but that the ratio redistributed cannot be uniformly defined with any substantial accuracy.

Without going into the question at too great a length, I have come to the conclusion that: (a) Part of the profits taxes can be shifted; and (b) that the extent of the shift with relation to any particular set of producers depends upon the special factors surrounding each case.

In this connection the following extract from the examination of a witness by the English House of Commons is of interest:

"Q. How is the assembly composed? What kind of people are the members—landholders or traders?

"A. It is composed of landholders, merchants and artificers.

"Q. Are not the majority landholders?

"A. I believe they are.

"Q. Do not they, as much as possible, shift the tax off from the land, to ease that, and lay the burden heavier on trade?

"A. I have never understood it so. I never heard such a thing suggested. And, indeed, an attempt of that kind could answer no purpose. The merchant or trader is always skilled in figures, and ready with his pen and ink. If unequal burdens are laid on his trade, he puts an additional price on his goods; and the consumers, who are chiefly landholders, finally pay the greatest part, if not the whole."

This examination took place in 1766, and the witness was Benjamin Franklin.

It is worthy of note that these views are held by many chartered accountants, although discounted to some extent by economists.

The British Committee on National Debt and Taxation, recently requested several prominent accountants to submit a statement containing their opinion of the effects of taxation. The opinion was prepared by Sir Arthur Lowes Dickinson, a member of the council of the Institute of Chartered Accountants in England and Wales; Sir John Mann, a member of the council of the Glasgow Institute of Chartered Accountants and Actuaries and representing the joint committee of the councils of the Chartered Accountants of Scotland, and George Stanhope Pitt, president of the Society of Incorporated Accountants and Auditors. These accountants represented organizations of public accountants having a total membership of 12,442. The accountants were asked to express their opinions upon the effects of existing taxation, and apparently suggestions for alterations were not sought. Under the heading, "general effects of taxation upon trade and industry," the accountants referred to the theory that taxation should not be a charge upon trade and should not have effect upon prices, but they go on to say:

"In actual practice, however, high taxation has had a considerable influence in further raising the prices of commodities. There has been a scramble for higher wages, salaries and prices, in which

only those with fixed incomes have been unable to take part, and in which old standards have disappeared.

"In a few years general prices have increased up to a maximum of nearly three times those prevailing for many years before the war, and have fallen again to about twice that level. Under these conditions trade and industry have been apt to consider taxation as part of their costs of production, and have tried with some success to recoup themselves by raising prices, not only to the extent of the taxation, but so as to include a profit on the taxation. This tendency is, however, limited by the ability of the consumer to pay the prices and by the effect of competition in keeping prices down.

"The effect of high taxation upon the profits of trade and industry is considerable. In regard to existing business it causes:

- (1) Reduced available profits, and, or
- (2) increased prices.

"In the former case it directly reduces either or both the amount available for extension of business and the amount distributed to shareholders and partners, thus in the majority of cases reducing the savings of the individual taxpayer

"In the latter case it either:

"(a) Forces a corresponding reduction in consumption, i.e., a less demand for commodities, and so ultimately reduces production (and profits) and increases unemployment; or

"(b) reduces the savings of the individual consumer available for investment in business enterprises.

"So far as the profits of an industry are distributed, the income tax paid is passed on by deduction to the owner or holder of the investment. If dividends are paid free of tax this is equally true, except that, without changing the nominal rate, a higher real rate may be distributed than would otherwise be the case.

"The balance of profits not distributed has borne its share of tax, and the amount retained in the business is reduced thereby.

"In effect, therefore, the accumulation of reserves in the business may be reduced in two ways:

- "(1) By increased dividends being paid to shareholders to make up for the high rates of taxation;
- "(2) by the high taxation paid on the profits not distributed.

Conclusion of the Matter

The conclusion of the report contains the following comment upon the effects of taxation generally:

"The effect of high taxation is to reduce annual savings, to restrict enterprise, to drive both domestic and foreign capital out of the country, to raise domestic prices, to reduce consumption and to discourage thrift.

"It is a sound principle that taxation should be limited to such a proportion of the national savings as will permit the accumula-

tion of absolutely necessary supplies of additional capital, as well as a steady reduction of the national debt.

"To attain this object, not only must the people practice thrift so as to increase savings and to repair war waste; but also the Government should exercise the strictest economy in every direction, make every endeavor to use anticipated surplus for the purpose of reducing taxation, and avoid or postpone all expenditure, even upon desirable objects, that is not absolutely necessary.

"It is equally necessary that every effort should be put forward by all classes to increase production, and Government policy should be directed to this end. To what extent Government action should regulate or leave unaffected trade union policy, which limits individual output, is not a matter within our compass; though that policy is of far-reaching consequence as regards cost of production and ability to compete with imported articles and also in the foreign markets of the world.

"The loss of capital during the war and the lower production per head, due to many causes and, in part, to the effects of the war, must tend to reduce the standard of living; and attempts to increase or even maintain that standard cannot succeed without greatly increased effort. High taxation of annual savings does not promote these increased efforts, and the heavy taxation of large incomes has a specially deterrent effect on new enterprises.

"Any attempt to tax past savings or to increase the national debt for objects which the nation cannot afford to carry out from its annual savings can only aggravate the situation and prevent that recovery which is essential to the restoration of pre-war prosperity. The success of such attempts must mean a transfer to the Government of a part of the capital of trade and industry and lead to further loss and expense if, as is believed, the efficiency of Government ownership and management must be less than that of private enterprise.

"Taxation on a scale which must seriously hamper trade and industry is inevitable as a result of the war. Its ill effects may be increased or mitigated according to the manner in which the proceeds are employed and the way in which the burden is distributed. To minimize the effects of war, reductions in personal expenditure, a high scale of individual efforts and production, and increased savings resulting in additional capital are necessary. Economy on the part of Government and a scale of taxation which does not reduce the incentive to private savings are, it is submitted, two essentials which would be most effective in reducing to a minimum the sacrifices needed to make good the ravages of war."

The extracts which I have quoted will indicate the value of the report, and it is to be hoped that this extremely important document will soon be released for complete publication.

Commissioner's Rulings

In the course of administering the income tax, many decisions have had to be made by the commissioner of Taxation relating to profits which have been claimed to be non-taxable. Other decisions have been given relating to the expenses that are allowable as deductions, and dealing with expenses that have been disallowed.

Many of these rules seem to be founded on equity—others seem to have been made so as to favor some at the expense of others; but in my opinion a grave injustice is being carried on by reason of the fact that these rules or decisions are not published, so that all may take advantage of such rulings as have been made in favor of the taxpayers.

Let us compare some of these rules as they apply to the professional man as compared with one similarly situated but engaged in trade or commerce.

The professional man whose means of protection or escape are meagre, views the situation with deep concern, realizing that measures which the capitalist would probably be able gracefully to avoid would be likely to fall in their full weight upon him.

A business man may incorporate in an effort to reduce his tax. A professional man is debarred from doing so by the ethics and rules laid down by his profession.

A dentist or doctor goes to a convention presumably to secure first hand knowledge of the most modern ideas respecting his profession. The tax authorities say it is his own private expense, and cannot be allowed before arriving at his taxable profit. A business man goes to a convention for the same purpose; he may invite his travellers to the convention, and the entire expense is allowed as a deduction before arriving at the net income for tax purposes. This, I contend, is a clear case of discrimination.

A professional man, if married, has an exemption of \$2,000.00; whereas a business man who elects to conduct his business under the corporate plan has a \$2,000.00 personal exemption, if married, and his company has another exemption of \$2,000.00.

Income Tax Lien

Removal of section 25 of the Dominion Income Tax Act, under which the Government has a first lien on all property of a taxpayer whose income tax is not paid, should be urged upon the Government.

Under this prior lien, securities such as chattel mortgages or real estate mortgages, or any other form of security based on the real or personal property of the taxpayer, even though it may be a first charge under ordinary circumstances, has to take second place if the taxpayer's income tax is not paid. One of the objections to this is the fact that it is impossible to ascertain whether a taxpayer has paid his tax or not, so that any individual contemplating advancing money on any of the securities referred to is in total ignorance of the amount of the tax which will be a prior charge to his security.

Appeals

The Dominion Income Tax Act has recently been amended, the Board of Appeal formerly provided having been withdrawn.

When a taxpayer now wishes to appeal, he serves a notice of appeal upon the Minister in the form prescribed. On receipt, the Minister considers the appeal and affirms or amends the assessment. If the taxpayer is not satisfied, he is now required to serve notice of dissatisfaction and to give security in a sum not less than \$400.00, and unless this sum is forthcoming the appeal is not given a hearing.

There are two parties to the dispute, the government and the taxpayer. Under the present law an appeal is made to an employee of one of the parties to the dispute, and until the matter is disposed of one of the immediate parties (the Government) is to hold the \$400.00 deposited by the taxpayer until the matter is settled.

This, I contend is un-British and unfair, for many taxpayers who have a grievance are quite unable to put up \$400.00 in order to appeal against what they believe to be an improper assessment.

Comparison of Canadian and American Income Tax Rates

Normal Tax—

Canadian	4% up to	\$6,000.00
	8% over	\$6,000.00
American.....	2% up to	\$4,000.00
	4% on next	\$4,000.00

Surtax—

6% over these amounts

	Canadian	American
Between \$5,000 and \$6,000	1%
6,000 and 8,000	2%
8,000 and 10,000	3%
10,000 and 12,000	4%	1%
12,000 and 14,000	5%	1%
14,000 and 16,000	6%	2%
16,000 and 18,000	7%	3%
18,000 and 20,000	8%	4%
Maximum	65%	40%

A strict comparison cannot be made within the scope of this paper, due to varying regulations, but the above figures indicate with reasonable accuracy the differences between Canadian income tax rates and those of the United States of America.

Table Showing Reduction in British Income Tax Returns

	1920-22	1922-23	1923-24
Income earned by taxpayer.....	3s. per £	2s. 6d. per £	2s. 3d. per £
Investment income	6s. per £	5s. per £	4s. 6d. per £

Table showing Reduction in British Income Tax Rates

1921	65%
(Canadian rates were based upon the U.S. rates)	
1922	50%
1924	40%

There has been no reduction in Canadian surtax rates since they were first imposed.

Let us now turn for a moment to the Manitoba Income Tax Act.

The Manitoba Income Tax Act imposes an income tax upon individuals, but does not tax corporations. Dividends paid by a company are taxed in the hands of a shareholder, but in this connection it is to be noted that there are grave doubts in the minds of many respecting the rights of the provincial government to tax dividends in the hands of a shareholder when these dividends are declared from surplus profits earned before the Act came into force. For example:

A. B., a merchant, held the shares of a joint stock company, the par value of which was \$100,000.00. At the time the Act came into force the company's undivided profit, an accumulation from previous years, amounted to \$105,000.00. He decided to take a stock dividend of 100%. Taking shares in lieu of cash for his dividend leaves him with shares to the par value of \$200,000.00, but his undivided profits, are reduced to \$5,000.00. Formerly he held, say, 1,000 shares, each having a par value of \$100.00, but intrinsically worth slightly over \$200.00 each. Now he holds 2,000 shares, each share now being worth just a shade over \$100.00.

The taking of the dividend has neither added to nor taken away from his wealth, yet the Manitoba Government under the present Act demands \$7,000.00 from this taxpayer for the privilege of writing out in his own favor share certificates covering profits earned before a provincial income tax was contemplated.

Under the Manitoba Act a husband and wife received but one personal exemption of \$2,000.00, and in case they make separate returns the personal exemption may be taken by either or divided between them.

Under the Dominion Act, both husband and wife have a personal exemption of \$2,000.00.

Under the Provincial Act, certain allowances are permitted that are at present denied under the Dominion Act, notably life insurance premiums. The allowance as a deduction of the Dominion income tax is of little effect. It was granted to meet a popular demand.

I am thoroughly in accord with the principle of allowing a reasonable sum for the payment of life insurance premiums. I believe this allowance encourages thrift and encourages provision being made for dependents, and to this extent the government itself will benefit through families being thus provided for, instead of being thrown upon the resources of the Widows' Pension Fund now administered by the province.

Any allowance that tends to encourage thrift should be made, and I am of the opinion that the Dominion Government should be petitioned to grant an allowance covering life insurance premiums paid by a taxpayer.

Illustrate here the rates and the extent of the difference in tax

between those entitled to \$1,000.00 exemption and those entitled to \$2,000.00. Difference in tax under the Act as it now stands may amount to \$5,000.00, whereas the difference between the two classes under the Dominion Act is never more than \$42.00, no matter how large the income.

Taxation, to be effective, like the sun's rays, should not be unduly concentrated. A reasonable diffusion promotes rather than hinders a bountiful harvest. The laws of nature and of economics have much in common, and upon no point are they more fully in accord than in their inexorableness.

In conclusion, I respectfully place before the Manitoba Economic Conference here assembled, for its most careful consideration, the following recommendation:

1. That a resolution be forwarded to the Dominion Government, recommending:

(a) A reduced scale of taxation, more in keeping with the rates now in force in the United States of America.

(b) That assessments be based on a taxpayer's average income for the three years immediately preceding the assessment.

(c) The publication in full of all rules or decisions made by the Commissioner of Taxation so far as they relate to matters affecting a taxpayer

(d) That a deduction be allowed from income covering reasonable sums paid for life insurance.

(e) That steps be taken to as far as possible remove the present inequalities in taxes as they affect the business man and the professional man.

(f) That the lien imposed by section 25 be removed.

(g) That steps be taken to grant to taxpayers an appeal to someone other than the Minister or Commissioner of Taxation, or to a Board of Appeal, without having to put up any sum as security, such as is now required.

(h) That a company's normal tax be adjusted so that a dividend in the hands of a shareholder may be exempted from normal tax at the same rate as paid by the company.

2. That a resolution be forwarded to the Provincial Government, recommending:

(a) That the Income Tax Act be amended so as to free from income tax dividends declared out of profits earned prior to the Act coming into force.

(b) That the Act be amended so as to modify the present difference between the taxes paid by one entitled to an exemption of \$1,000.00 and one entitled to an exemption of \$2,000.00.

Note.—In submitting the resolution to the Conference recommendation under paragraph (g) was changed to read:

(g) That taxpayers have the right to appeal from their assessment to a Judge in the District where the appellant resides, with

out any security having to be put up.

Mr. Cox: You are making certain recommendations—could not you put these in the form of a Resolution?

Mr. Cooper: Well, I am not a member of the Conference, and I did not know whether it was my privilege.

Mr. Cooper's recommendations were then submitted to the Resolutions Committee, who were asked to bring in a resolution covering them.

Mr. Dunham then made the following remarks:

Mr. Chairman, Ladies and Gentlemen—I do not know why my name was associated with that of Mr. Cooper in connection with the Income Tax paper, for it is evident, as I said to Mr. Curle some time ago, that Mr. Cooper has forgotten far more about Income Tax than I ever knew, and I think you will agree with me that he has covered the ground very well this afternoon. I, therefore, do not propose taking up your time talking about anything that Mr. Cooper has gone over. I concur heartily in everything Mr. Cooper has told you, and wish to support him in the recommendations that he has made.

Dr. Magill: May I ask whether Mr. Cooper's paper will be printed?

Mr. Glen: It will, if we have sufficient money.

Dr. Magill: Is it in order to move a vote of thanks to the gentleman, whose paper contained a great deal of valuable information?

Mr. Glen: It is. I am sure everyone got information today that was really needed.

Mr. Hunt: The Resolutions Committee met and took into consideration the recommendations made by Mr. Cooper. We invited Mr. Cooper to be present with us, and we submit to the Conference the recommendations of Mr. Cooper, with the following amendment in Section G. Mr. Cooper's suggestion is this: "That steps be taken to grant to taxpayers an appeal to someone other than the Minister or Commissioner of Taxation, or to a Board of Appeal, without having to put up any sum as security such as now required."

We suggested this amendment: "That taxpayers have the right of appeal for their assessment to a Judge in the District where the appellant resides, without any security having to be put up." That is, giving the right of appeal to the taxpayer, rather than taking it to Ottawa. We also submit the resolutions regarding Income Tax, Province of Manitoba.

Mr. Hunt here read the Resolutions, which were as follows:

RESOLUTION NO. 2.

Moved by T. A. Hunt, K.C.

Seconded by Peter Wright.

1. **THAT** a resolution be forwarded to the Dominion Government recommending:
 - (a) A reduced scale of taxation more in keeping with the rates now in force in the United States of America.
 - (b) That assessments be based on a taxpayer's average income for

three years immediately preceding the assessment.

- (c) The publication in full of all rules or decisions made by the Commissioner of Taxation as far as they relate to matters affecting a taxpayer.
 - (d) That a deduction be allowed from income covering reasonable sums paid, for Life Insurance.
 - (e) That steps be taken to, as far as possible, remove the present inequalities in taxes as they affect the business man and the professional man.
 - (f) That the lien imposed by Section 25 be removed.
 - (g) That taxpayers have the right of appeal from their assessment to a Judge of the District where the appellant lives, without any security having to be put up.
 - (h) That a Company's normal tax be adjusted so that a dividend in the hands of a shareholder may be exempted from normal tax at the same rate as paid by the Company.
2. (a) That "**The Income Tax Act**" be amended so as to free from income tax dividends declared, out of profits earned prior to the Act coming into force.
- (b) That the Act shall be amended so as to modify the present difference between the taxes paid by one entitled to an exemption of \$1,000.00 and one entitled to an exemption of \$2,000.00.

On the question being put by the Chairman, the motion was carried unanimously.

Professor Clark then read his paper on "The Business Tax." Professor Clark said as follows:

BUSINESS TAXES

Arch. B. Clark, University of Manitoba.

Under our present fiscal system, the only considerable source of municipal revenue available to supplement the all-important real property tax is the personal property tax, or its modern equivalent, the business tax. In Manitoba the income tax, being already appropriated by the Dominion and the province, is not available to the municipality, and is in any case, in its very nature, ill-adapted for municipal revenue purposes.

Under ideal financial conditions a strong argument might be made out for exempting business altogether from taxation. But until public opinion is such as to induce governments, both provincial and municipal, to adopt a more restricted view of their functions, and to limit their expenditures accordingly, financial conditions are likely to remain far from ideal; and there can be no question that moderate taxation of business is one of the least objectionable ways of raising municipal revenue.

While the benefits of the specifically local services performed by our municipalities are shared in by the citizens generally, they do in the long run accrue in a very special degree, not only to the owners of

real property, but to those engaged in business in the municipality. A considerable part of municipal expenditure is, in fact, directed towards the provision of an environment in which business can thrive. It follows that a moderate business tax is economically justifiable. But, to be productive, it must be a **moderate** tax; for, unlike real property, business is mobile, and there is always the risk that heavy taxation may drive business beyond the jurisdiction of the taxing authority.

Business taxes appear very early in fiscal history. They are, as Professor T. S. Adams points out, "as old as organized business. They are all but universal throughout the world, and show no tendency to disappear with the passage of time."

In the Middle Ages, taxation of business took the form of licenses for trade. But apart from licenses, amongst the oldest taxes on business was

The French Business Tax

This tax (the *impôt des patentes*), first imposed in 1791, had, before the Great War, developed into the most thorough and elaborate system of business taxation in existence, and it yielded a large part of both the central and local revenue of France.

All who carried on in France any trade, industry or profession not expressly exempted by law, were subject to the tax, which included a "fixed" and a "proportional" duty. The **fixed** duty was intended as a definite tax, varying with the particular type of business, and for this purpose occupations were grouped in three schedules, with sub-classes in each, based on certain accepted indicia or signs of probable business profit—such as character of trade, population of city, number of employees, size or site occupied, etc. These accepted indicia varied with the schedules. Schedule A included merchants and professional classes; B, bankers and department stores, transfer companies, etc.; C, industrial establishments. The aim of the **proportional** duty was to adjust the tax according to the different taxable capacities of different members of the same class.

The system had the advantage of requiring no inquisitorial investigations by fiscal officials, and since the tax was based, not on actual, but on assumed earnings, it did not tend to penalize enterprise, nor did it rely unduly on the integrity of the taxpayer.

The scheme, however, was most elaborate and complex, and the rates were essentially arbitrary, based, as they were, on more or less vague external signs or indicia, which at best rendered possible an approximate valuation of the profits of each category of merchants, but not of the profits of any individual business.

Of the practical operation of the scheme, Leroy-Beaulieu wrote: "The more just our legislation has tried to be, the more complicated it has become. It is only by making new distinctions, adopting new and more numerous indicia, that the law has succeeded in eliminating some of the crying injustices in the assessment of the business tax." The enactment of a progressive income tax in France in 1914 led to the

displacement of the old business tax (*impôt des patentes*) in 1916 by a flat rate on business income.

The Prussian Business Tax

Previous to 1891 the Prussian business tax was of a similar character to the French tax. Industries were grouped in eleven classes, the rate of tax in each class being graduated according to the population of the place in which the business was carried on. But, instead of the French system of a hard and fast rate for each class of business, the Prussian law levies an **average rate** upon all establishments of a given class in the same district, leaving it to a council, elected by the taxpayers of that class in the district, and presided over by a representative of the provincial government, to effect a just distribution of the aggregate burden amongst the several establishments. This plan relieves the government of direct responsibility for determining the amount to be contributed by the several taxpayers.

In 1891 the basis of classification was radically altered, and all resemblance to the French tax thus disappeared. Under the new plan the classification is based no longer on population of the place and character of the business, but on **annual earnings** as the primary basis, modified by consideration of capital value, while the tax for each class is graduated with reference to the estimated earnings.

Business Taxation in the United States

In the United States taxes on business in various forms have been in extensive use, but less developed and systemized than in Europe. In general there is no classification or graduation. In the Southern States, in particular, such taxes have been prevalent in the rudimentary form of licenses on numerous occupations, sometimes on gross earnings. In the Northern States heavy taxes on certain kinds of business are general, side by side with an elaborate system of taxes on corporations; and for state or local purposes there are numerous taxes or licenses on trades and occupations.

Business Taxes in Canada

In Canada several different kinds of municipal taxes on business are in use.

1. **The Tax on the Stock-in-Trade of the Merchant.** This is a survival of the old Personal Property Tax which, in Canada as elsewhere, proved both inequitable and unproductive, owing to the elusive character of personal property. In practice, the bulk of personalty, tangible as well as intangible, easily escaped the tax, which degenerated into a tax on the stock-in-trade of the merchant. But the value of stock-in-hand is clearly no measure of the net earnings or taxpaying capacity of the business, nor yet of the benefit it receives from the services rendered by the municipal government.

2. **The Rental Value Tax.** The obvious inequity of the Personal Property Tax led to its abandonment by the City of Winnipeg in 1893 and the substitution of a Business Tax, which, however, unlike the

existing tax, was based on an assumed capitalized annual rental value of the premises, arrived at by taking account of floor-space measurement and rental value, with different rates per square foot for different classes of business. The idea seems to have been that this device would meet the objection that a tax based simply on rental would fall with undue weight on the retailers, as compared with the wholesale traders. In practice, however, this method was found to result in a tax bearing no perceptible relation to the net profits of business. After enduring for thirteen years it was dropped, and in 1907 the business tax was made a uniform rate on rental value, such as had been in existence from a much earlier date in the cities of Quebec and Montreal.

The existing Winnipeg rate of 6.2-3% was adopted in 1909, that having been recommended as the upper limit by the Phippen Commission in 1908. The flat rate tax on rental value now exists in all the four Manitoba cities, but at different rates. In 1906 it was made optional in towns and villages, and has been generally adopted, the maximum legal rate being 15%. Since 1916 it has also existed as an optional tax in the towns and villages of Alberta, at a uniform rate of 10%, and is there rapidly displacing the personal property tax.

The obvious merit of the uniform rate on rental value is its simplicity; and its almost equally obvious weakness is its failure to make any allowance for the widely varying ratio of rental value to net profit or income, as between different classes of business. Attempts to meet this difficulty have led to the adoption of various types of classified business taxes.

3. Tax Based on Floor-space Measurement. The third species of business tax—that which combines the principle of floor-space measurement with classification of businesses, fixing a different rate for each per foot of floor space—was originally known as the Edmonton system. It was adopted on the incorporation of the City of Edmonton in 1904, and continued in operation till 1911, when the "Single Tax" mania led to its abolition. Its obvious superiority to the old Personal Property Tax caused its adoption in 1906 by Regina and Saskatoon, and three years later it was by legislative enactment extended to all the cities and towns of Saskatchewan.

It is clear, however, that this method must still result in a tax having no necessary connection with the net profits of business. It hits alike the prosperous and the declining business, that in the centre of the city and that on the outskirts, provided they belong to the same schedule and occupy the same floor space. Yet the business done and the profits earned may, and probably will, in the two cases be radically different. Further, where it is in actual operation the grouping of business in the assessment schedules differs widely in the different cities and towns. A moderate degree of inequality in the tax rates is to be expected, and may be justified, but inequality in the assessments of the same type of business is clearly indefensible.

4. The Ontario Method—A tax based on a percentage of the capital

value of real estate occupied, varying with the class of business.

This system was introduced in the municipalities of Ontario by the Assessment Act of 1904, when the personal property tax was discarded in consequence of its general condemnation by the mercantile community as inquisitional and inequitable.

Under this system, the rate of taxation is uniform on all kinds of property and income, but in the case of business the levy is made on different percentages of the value of the real property occupied. Thus for retail merchants the rate is 25%, for wholesale merchants 75%, for manufacturers 60%, and so on. The above object of the system is to grade the percentages taxed so that the resulting tax will be the same as would have been obtained by actual inspection and valuation of the personal property in the business. But that very fact leaves it simply a disguised personal property tax, and therefore open to the objection already taken to that tax—that the stock-in-trade in any business is no reliable index of the profit earned. The system has, however, the administrative merit that the assessment of the tax involves no inquisitional inspection.

5. Tax Based on Rental Value with Classification. There are two possible varieties of this method:

(a) **There is the tax now in actual operation in certain cities of Alberta which takes rental value of the business premises as the basis, but classifies the businesses and levies a different rate on each schedule.** Edmonton, recovering from its single tax aberration, in 1917 secured a charter amendment authorizing the levy of a business tax not exceeding 6% of the full rental value of the premises, and in 1918 the existing graduated tax was introduced, with a scale running from 5% to 25% of the rental value, according to the class of business. Calgary in 1918 was authorized to levy a business tax of not less than 6% nor more than 10% of the rental value, the Council to fix by bylaw different rates for different classes of business. This it did with three schedules, on which the rates were respectively 6%, 8% and 10%. But now it levies a uniform rate of 10%, as also do Lethbridge and Medicine Hat, while Wetaskiwin's rates vary from 10% to 35%.

(b) **The second variety of the tax on rental value with classification, is that which varies not the tax rate but the percentage of the assessed annual rental value on which the rate is levied, according to the class of business.** This is the system now advocated for the City of Winnipeg. It is analogous to the Ontario system, save that there as we have seen, the rate is levied on different percentages of the capital value of the real property occupied, whereas here it is to be on different percentages of the annual rental value. There are six schedules. The proposed rate is 10% to be levied on 40% of the rental in the case of retailers, 50% for tradesmen, 60% for manufacturers, 75% for professions, 85% for wholesalers, and 100% for banks.

Now, while the business tax, in any of the forms already described, is certainly, as a fiscal instrument, much superior to the personal prop-

erty tax, it is clear that each and every one of these forms can afford at the best only a very rough approximation to the ideal of an equitable tax. The various methods of classification are attempts at a fairer distribution of the burden than is attained by the at rate on rental value; and any device that will lessen the inequity of that system, without seriously impairing the productiveness of the tax, is surely to be desired.

But the differential tax rates, or differential assessment percentages, are essentially arbitrary. Rental value, floor space occupied, etc., even with the most careful classification, give us merely external indicia of the net profits of business, which is the one and only true measure of fiscal obligation. And such external indicia are at best but poor, unreliable guides to even the average profits of **any class** of business, and **no** guides whatever to the profit earned in any **individual business**. Only by abandoning altogether such external signs, and levying the tax directly on the net profits of business, can we hope to get a really equitable system of business taxation.

It may be true enough that the business tax is only a minor factor affecting the success of a business. But even that minor factor may well be the marginal and decisive factor in determining solvency or failure—the proverbial last straw:

A business tax on net profits, being a tax on the business as such, would necessarily be a **flat rate** tax. Neither on the basis of benefit received, nor on that of ability to pay, can a progressive rate on business income be justified. There is no reason to assume that a business benefits more from municipal expenditure than in proportion to the income earned, nor yet that large net profits in a business mean a large income to the individual owners of the business.

This, it may be noted, is the form of business tax recommended a few years ago by a strong committee of the American National Tax Association in their report on a "Model System of State and Local Taxation." It was also recommended, after careful consideration, by the Manitoba Assessment and Taxation Commission.

A business tax based on net profits should clearly be a uniform rate throughout the province. The administration of such a tax would certainly present some difficulties, but these could be greatly minimized if the tax were administered by the province, the revenue being distributed to the municipalities on some equitable basis. The province at present levies a strange agglomeration of what are really business taxes on corporations, taxes based on no rational principle; and the whole system of taxing business, provincial and municipal, might with advantage be combined. With the Dominion levying a business income tax, and with a reasonable amount of co-operation between Dominion and provincial authorities, the obstacles in the way of a business tax on net profits should not prove insuperable.

A suggested alternative to the tax on net profits is a tax on the turnover. Each would pay in proportion to the business done. That

plan seems to **formally** comply with the principle of equality of taxation. But in the first place it is open to serious objections, it is only applicable to certain kinds of business. Secondly, it is not really a tax on business profits at all. It would be paid by all, irrespective of their profits, and would therefore be treated as an element in expenses of production, and so shifted to the consumer through a rise in the price of the commodities supplied. It is merely in form, not in substance, a business tax.

The incidence of a tax based on rental value is not so simple. In so far as it is a tax on building rental it is a tax on a particular form of profits—the profits of building, and as the building owner must in the long run get the ordinary rate of profits, the tax will be borne by the tenant—the business man, and if heavy it may be shifted to the consumer of the commodities or services supplied. But in so far as the tax is one on site rental, it is a tax on a differential advantage, and will tend to be shifted to the owner of that advantage—the landowner. A tax of this character is, therefore, in part, in the long run really an additional tax on **real property owners**, and only in part a tax on the business man.

A tax based on the net profits of business, on the other hand, is really what it professes to be. It will rest on the business man, unless so heavy as to lead to the withdrawal of capital from business, in which case it would inevitably be shifted to the consumer of the goods or services through the rise in price. But a moderate tax on the net profits of business would, given efficient administration, tend to fall equally on all engaged in business in proportion to the profit derived therefrom.

And the meeting adjourned until 8 p.m.

THURSDAY, FEBRUARY 19th, AT 8 P.M.

Mr. Glen called upon **Mr. R. M. Fisher** to give his address on the Inheritance Tax.

SUCCESSION DUTIES.

(By **R. M. Fisher**, Barrister at Law)

Laws relating to taxes upon inheritance and legacies are found as early as the time of the Romans, when, during the reign of the Emperor Augustus, a tax of five per cent. was placed for the support of the Roman army upon all legacies or inheritances of a certain value; and recent discoveries have revealed their existence in Egypt under the Ptolemies. In England, only legacies of personal property were at first taxed, the first Act having originated in 1780 with Lord North, to whom it was suggested by Adam Smith's book, "The Wealth of Nations." Inheritance taxation was first introduced into the United States as a federal tax in 1798, and the first State to adopt it was Pennsylvania, in 1826.

The theory upon which such taxes are based is the legal doctrine that the right to take by will or inheritance or succession is a mere

privilege granted by the law to the heir, legatee, devisee or other party succeeding, which privilege may be modified or wholly taken away by the State. From long use the right of inheritance has come to be looked upon as a natural, inalienable right, but history shows that this is not so. Blackstone says: "All property must cease upon death, considering men as absolute individuals unconnected with civil society, and the next immediate occupant would acquire a right to all that the deceased possessed; but as this would be productive of endless disturbances, power is given to a man to continue his possessions by disposing of them by will or, if he neglect to do so, the law steps in and declares who shall be his successor; and in case no heir can be found, to prevent the robust title of occupancy from taking place again the doctrine of escheats is adopted." This is not a law of nature, but a civil-political establishment. **Descent is a creature of statute, and not a natural right.** This tends to make a man a good citizen, since, if he work hard and acquire wealth to a greater extent than his fellows, he has the privilege of saying who shall enjoy the fruits of his labors after his death." In England, prior to the Statute of Distribution, 22 and 23, Car. II., descent of personal property could hardly be recognized, and even after the statute requiring administration, the administrator after payment of debts and funeral expenses was entitled to retain to himself the residue of the estate.

Sir William Harcourt, when Chancellor of the Exchequer, in affirming his belief in a graduated tax on realized wealth in proportion to the size and value of the estate, said that, while he recognized that taxation of this nature had no well defined limits and could be pushed by irresponsible power to the extent of confiscation, still he judged that the good sense and moderation of the great body of the people could be trusted to protect realized wealth from the attacks of any mischievous bodies whose doctrines might push the tax beyond reasonable limits. I am assuming, for the purposes of this paper, that no one seriously questions the legitimacy of taxation levied on the privilege of succession in consideration of the protection afforded by the State; but the question that is now being borne in upon us is: Should any limits be placed upon this power, or may it gradually be allowed to increase until the point of confiscation is reached?

In Canada the various provinces, when enacting statutes imposing inheritance taxation, have called the tax "Succession Duty." Succession Duty has been defined as a "government impost, duty or excise upon the privilege secured by the municipal or civil law to devisees, legatees, grantees, heirs and personal representatives of taking, holding and enjoying all property, real and personal, or any interest therein passing by will, by intestate law or by grant or gift made inter vivos and intended to take effect at or after the death of the grantor." (Bayly.) The tax is not imposed till death, and this to some extent may account for a lack of a well-informed public opinion on the subject, which ordinarily would serve as a check on confiscatory legislation.

Under the British North America Act the jurisdiction of the provincial Legislatures to impose taxation of this character is given by sub-section 2 and 16 of section 92:

(2) Direct taxation within the province, in order to the raising of a revenue for provincial purposes;

(16) property and civil rights in the province;

and it is well to bear in mind that the courts have held that these sections must be construed in accordance with the English law, as it was at that time decided to be, and that the provinces, being limited in their powers, cannot by any enactment of their own enlarge or extend the powers of taxation granted to them by section 92.

The first Succession Duties Acts in Canada were passed by New Brunswick, Nova Scotia, Ontario and Quebec in 1892. Manitoba followed in 1893, Prince Edward Island and British Columbia in 1894 and Saskatchewan and Alberta (then the North West Territories) in 1903. The earlier Acts were modelled largely after the New York and Pennsylvania statutes then in force. Ontario's first Act contained a preamble that the funds to be raised were intended, among other things, to provide for the care of the sick and delinquent and this hypocrisy was continued till 1905. At present the legislation of each province is, speaking generally, a combination of the English statutes dealing respectively with Legacy Duty, Succession Duty, Estate Duty and the former Probate Duty. Under the English legislation referred to it is broadly true that the domicile of the deceased governs the liability to Legacy and Succession Duty, while the actual situs of the property governs the liability to Estate duty and to the former Probate duty. The rate at which such Legacy or Succession duty is imposed depends only on the relationship to the deceased of the beneficiary and the amount which he receives, while the rate at which Estate duty is levied is determined only by the aggregate value of the entire property passing on the death of the deceased. Legacy duty and Succession duty are payable at the time when the enjoyment takes place, Estate duty being imposed on the whole estate in bulk before administration begins. The manner in which the English Statutes have been combined in our various provincial acts is by no means uniform and there are some provisions in the legislation of practically every province which are original or are copied from the legislation of other jurisdictions." (Report Nova Scotia Commissioners on Uniform Legislation 1923). The composite nature of our provincial acts must be kept in mind in attempting to apply English legal decisions and may account to some extent for the diversity of judicial interpretation.

Manitoba's first Succession Duties Act in 1893 provided one scale of rates graduated from 1% below \$25,000.00 to 10% over \$1,000,000.00. These rates were varied in 1900 but not materially increased. In 1911 there was introduced the classification of beneficiaries into (1) Near Relatives (2) Collateral Relatives and (3) Strangers, with a triple graduated schedule of rates and at the same time the former scale of rates was slightly

increased. Still a further increase in rates was made in 1920 only to be followed by a substantial increase in 1923, when the rates became the highest in Canada, the example set being followed by British Columbia and Saskatchewan. Below is given a table showing the rates now in force in the Canadian Provinces. This table is only for the purposes of comparison and while not strictly accurate, owing to variances in the different Acts in the graduation of rates and the classifications of beneficiaries, it forms a fair basis of comparison.

The comparative tables are followed by a table showing the amount of duty payable under the Manitoba Act by estates of varying dutiable values:—

Rates to Near Relatives

Value of Estate	Man. Alta.	Sask.	B.C.	Ont.	Quéc.	P.E.I.	N.S.	N.B.
5,000	R. 0	0	0	0	0			
10,000	40 N.R.	0						
15,000	.80	1/2	1/2	0	0	2		
20,000	1.20	1	1/2	0	1 1/4	2		
25,000	1.60	1	1/2	0	1 1/4	2		
30,000	2	2 x 1/2	1 1/2	1	1 1/4	2	2 1/2 x 1/2	1 1/4 x 1/2
35,000	2 1/2	2 1/2 x 1	2 1/2	2 1/2 x 1 1/2	1 1/2	3 1/2	2 1/2 x 1/2	2 1/2 x 1/2
40,000	3	3 1/2 x 1 1/2	3	3 1/2 x 2	2	3 1/2	3 x 1/2	2 1/2 x 1/2
45,000	4	5 x 2	4	5 x 2 1/2	3 x 1	3 1/2	4 1/2 x 1	4 x 1
50,000	5	5 1/2 x 2	5	5 1/2 x 3	4 x 1	3 1/2	5 1/2 x 1	5 x 1
55,000	6	6 x 2 1/2	6	6 x 3	5 x 1 1/2	3 1/2	5 1/2 x 1 1/2	5 x 1 1/2
60,000	7	7 x 2 1/2	6	6 1/2 x 3 1/2	5 x 1 1/2	3 1/2	6 1/2 x 1 1/2	6 x 1 1/2
65,000	8	8 x 2 1/2	10	7 x 4 1/2	5 x 2	3 1/2	6 1/2 x 2	6 x 2
70,000	9	9 x 2 1/2	10	7 1/2 x 5	5 x 2	3 1/2	7 1/2 x 2	7 x 2
75,000	10	10 x 2 1/2	16	10 x 8	5 x 3	3 1/2	10 x 4	10 x 4
80,000	11	11 x 2 1/2	16	10 x 8 1/2	5 x 3	3 1/2	10 x 5	10 x 5
85,000	12	12 x 2 1/2	36	10 x 15	5 x 3	3 1/2	10 x 5	10 x 5
90,000	13	13 x 2 1/2						
95,000	14	14 x 2 1/2						
100,000	15	15 x 2 1/2						
105,000	16	16 x 2 1/2						
110,000	17	17 x 2 1/2						
115,000	18	18 x 2 1/2						
120,000	19	19 x 2 1/2						
125,000	20	20 x 2 1/2						
130,000	21	21 x 2 1/2						
135,000	22	22 x 2 1/2						
140,000	23	23 x 2 1/2						
145,000	24	24 x 2 1/2						
150,000	25	25 x 2 1/2						
155,000	26	26 x 2 1/2						
160,000	27	27 x 2 1/2						
165,000	28	28 x 2 1/2						
170,000	29	29 x 2 1/2						
175,000	30	30 x 2 1/2						
180,000	31	31 x 2 1/2						
185,000	32	32 x 2 1/2						
190,000	33	33 x 2 1/2						
195,000	34	34 x 2 1/2						
200,000	35	35 x 2 1/2						
205,000	36	36 x 2 1/2						
210,000	37	37 x 2 1/2						

Non - resi-
dent bene-
ficiaries pay
double.

Add 1 %
where either
deceased or
beneficiary
are non-
resident and
2 % where
both deces-
ed and be-
necfiary are
non - resi-
dent.

Surtax in all cases is on individual share. 1/4

Rates to Collateral Relatives

Value of Estate	Man.	Alta.	Sask.	B.C.	Ont.	Quec.	P.E.I.	N.S.	N.B.
5,000	5	5	5 x 1/4	5	0	5	3 1/2	5 x 1/2	
10,000	5	5 1/4	5 1/2 x 1/2	5	5 x 2 1/4	5 1/2	3 1/2	5 x 1/2	5 x 1/2
15,000	7	6	6 x 1/2	5	5 x 2 1/4	5 1/2	3 1/2	5 x 1/2	5 x 1/2
20,000	7	6	6 x 1/2	5	5 x 2 1/4	5 1/2	3 1/2	5 x 1/2	5 x 1/2
25,000	7	7 1/4 x 1	7 1/2 x 1	5	7 x 2 1/4	5 1/2	3 1/2	5 x 1/2	5 x 1/2
50,000	9	10 x 1 1/2	10 1/2 x 1 1/2	7 1/2	10 x 2 1/2	9 x 1	3 1/2	10 x 1	10 x 1
75,000	11	11 x 2	11 x 2	10	10 x 3	9 x 1	3 1/2	10 x 1	10 x 1
100,000	13	11 1/2 x 2 1/2	12 1/2 x 2 1/2	12	12 1/2 x 3	11 x 1 1/2	3 1/2	12 1/2 x 1 1/2	12 1/2 x 1 1/2
150,000	13	12 x 3	13 x 3	13	12 1/2 x 3 1/2	11 x 2	3 1/2	12 1/2 x 2	12 1/2 x 2
200,000	13	12 1/2 x 3 1/2	13 1/2 x 4	13 1/2	13 x 3 1/2	11 x 2 1/2	3 1/2	12 1/2 x 2 1/2	12 1/2 x 2 1/2
300,000	13	12 1/2 x 4	14 1/2 x 5	13 1/2	13 x 4 1/2	11 x 3 1/2	3 1/2	12 1/2 x 3 1/2	12 1/2 x 3 1/2
400,000	13	12 1/2 x 4 1/2	15 1/2 x 6	15 1/2	14 x 5	11 x 4 1/2	3 1/2	12 1/2 x 4 1/2	12 1/2 x 4 1/2
500,000	14	12 1/2 x 5	16 x 7	15 1/2	14 x 6	11 x 5	3 1/2	12 1/2 x 5	12 1/2 x 5
1,000,000	19	13 x 6	18 1/2 x 9	20	17 x 9	11 x 5	3 1/2	12 1/2 x 5	12 1/2 x 5
2,000,000	29	15 x 6	20 x 9	30	17 x 11	11 x 5	3 1/2	12 1/2 x 5	12 1/2 x 5
3,000,000	39	15 x 6	21 x 9	40	17 x 12	11 x 5	3 1/2	12 1/2 x 5	12 1/2 x 5

Add 1 1/2 and 3% as in table 1.

Non - resident beneficiaries pay double.

Surtax in all cases is on individual share.

Rates to Strangers

Value of Estate	Man.	Alta.	Sask.	B.C.	Ont.	Quec.	P.E.I.	N.S.	N.B.
5,000	10	10	10	10	7½	10	10½	10	10
10,000	12	11	12	10	12½	10	10½	10	10
15,000	12	12	12½	10	12½	10	10½	10	10
20,000	12	12	12½	10	12½	10	10½	10	10
25,000	12	12½	13	10	12½	10	10½	10	10
50,000	13	14	14	12½	15	15x1	10½	15	15
75,000	14	15	14½	15	15	15x1	10½	15	15
100,000	15	16	15	17	17½	15x1½	10½	15	15
150,000	15	17	17½	18	17½	15x2	10½	15	15
200,000	17	20	20	19	20	15x2½	10½	15	15
250,000	18								
300,000	19	22½	22½	19	22½	15x3½	10½	15	15
350,000	20								
400,000	21	22½	22½	21	25	15x4½	10½	15	15
500,000	22	25	25	21	27½	15x5	10½	15	17½
1,000,000	27	30	30	27	35	20x5	10½	20	20
2,000,000	37	35	34	37	35	20x5	10½	20	20
3,000,000	47	35	37	47	35	20x5	10½	20	20
		Add 2 and 4% as in table 1.							Non - resident beneficiaries pay double.

Surtax in all cases is on individual share.

The average maximum rate in the states of the Union in 1924 was slightly over 15%.

Manitoba Succession Duties

Showing amount of Succession Duties payable under
Manitoba Succession Duties Act.

	Class I.	Class II.	Class III.
\$2,000.			\$160.
4,000.			400.
5,000.	\$20.	\$250.	500.
10,000.	80.	500.	1,200.
15,000.	180.	1,050.	1,800.
20,000.	320.	1,400.	2,400.
25,000.	500.	1,750.	3,000.
50,000.	1,500.	4,500.	6,500.
75,000.	3,000.	8,250.	10,500.
100,000.	5,000.	13,000.	15,000.
150,000.	9,000.	19,500.	24,000.
200,000.	14,000.	26,000.	34,000.
500,000.	60,000.	70,000.	110,000.
1,000,000.	170,000.	190,000.	270,000.
2,000,000.	540,000.	580,000.	740,000.
3,000,000.	1,110,000.	1,170,000.	1,410,000.
5,000,000.	1,850,000.	1,950,000.	2,350,000.
10,000,000.	3,700,000.	3,900,000.	4,700,000.

An examination of the foregoing comparative statement shows that Manitoba, British Columbia, Saskatchewan and Alberta have by far the highest rates of succession duties. and that among these Manitoba was not only the initiator of high rates, but in many respects is still the holder of the doubtful honor of having the highest rates of succession duty in Canada. In all the provinces the rate of duty is based on the total value of the estate, no matter where the assets may be located, and even a small amount of property within a province is assessed at this rate. Even though your estate, if you died tomorrow, might be small, do not fall into the error of thinking that this subject does not interest or

Note.—The above table should be construed as covering simple cases only. It is not possible to cover in the table the variations which special circumstances make in the amount due.

affect you. Anything that affects the development of this Western country affects and should interest you. ~~The~~ problems of the United States with reference to inheritance taxation are similar to ours, only the entry of their Federal government into the field has aggravated the situation, and the National Tax Association at its 1924 convention at St. Louis considered inheritance taxation was entitled to a prominent place on the agenda.

No one will deny the fact that the Western provinces, now possibly more than at any time in their development, need capital, and I would like to suggest some ways in which the high rates of succession duty have a bearing on the supply of capital.

(1) In its last analysis succession duty is a capital tax. Its enforcement takes out of the open market each year a percentage of the available funds of the country for the purpose of defraying expenses of government.

The nation, just as the individual, should not use up its capital in payment of ordinary expenses. The money which is being taken by way of such taxes is to a large extent the capital which is in use and necessary in carrying on the business of the country, and just to the extent that the government seizes upon and takes this capital for its own income its loss must be made good out of the thrift and savings of the people of the country.

The effect of excessively high taxation on capital may be considered from two standpoints:

A. Its effect upon existing capital.

(a) Suppose the government were to take 50% of every estate and assume that an inheritance could not be doubled in the course of a generation—the result is a gradual depletion of capital and eventually there is nothing left to tax. Russia, with its confiscatory levies, furnishes a good example.

(b) Dan Nelson, an American writer, investigated several hundred estates, and found that the average proportion of cash to the total estates was as follows:

Value of Estate	Proportion of Cash
\$100,000	4.4%
\$500,000	3.3%
\$1,000,000	2%
\$5,000,000	1.8%
\$10,000,000	2.5%

Where the tax must, as in Manitoba, be paid within six months from death, it often means that assets must be sacrificed to meet the demands of the government, with resulting loss to the estate and the lowering of the general level of values. It has been estimated that a 40% rate requires for its satisfaction 50% or more of the nominal value of the estate. Thus we have a permanent lessening of values and a continuous exhaustion of the source of revenue. In England, owing to high death duties, large landed estates are

almost unsaleable. If the same revenue is to be produced, the taxes must be further increased. Such a system of taxation, by materially lowering values, ultimately destroys itself.

B. Its effect upon production of future capital.

The impetus to further production is found largely in the human desire to leave one's dependents well provided for. So long as the individual feels he can pay the tax and still leave an estate, he will increase his efforts; but if he finds that by reason of excessive taxation the results are not commensurate with the effort, he will probably cut down his production and the general wealth of the country will be diminished accordingly. From the standpoint of revenue it must be remembered that more revenue can be obtained from one large estate than from several small ones, and it is to the ultimate benefit of the government that large fortunes continue to be made and not taxed out of existence. It is the history of all excessive taxes on capital that they destroy themselves. The Under-Secretary of the Treasury of the United States has given some interesting figures with reference to the Federal estate tax and the revenue produced: "The year 1921 was the first year which felt the full effect of the increase of rates to a maximum of 25%. Our receipts that year were \$154,000,000—the most we have ever obtained. But watch the retrogression under the same high tax in the following years: \$139,000,000 in 1922, \$126,000,000 in 1923 and only \$102,000,00 in 1924. It is estimated that the increase from 25% to 40% under the new law will yield but an additional \$12,000,000, but in a year or so this increase will be lost, and 40% rates will yield not more revenue than was obtained under the 25% rates."

Some, however, may feel that confiscatory taxation is necessary to check the accumulation of large estates. I doubt if the social necessity for breaking up large fortunes exists in this country. It has been said that in America there are three generations from shirt sleeves to shirt sleeves. The theory of Professor Rignano, in his "Social Significance of the Inheritance Tax," is worthy of consideration in this connection. He argues that if the government levied a reasonable tax on what the decedent himself makes, a heavier tax on what his father left him, and a still heavier tax on what remained of his grandfather's estate, it would not destroy the initiative to produce and still get the maximum revenue.

(2) Domicile is always a matter of choice, and wealth soon leaves a domicile where it is subjected to taxation which it deems excessive. We might take a lesson from the experience of the State of New York. In 1910 New York State enacted an inheritance tax law known as the Hughes Act. Before this Act came into force the revenue from inheritance taxes was \$3,500,000. The rates in the Hughes Act were on a graduated scale, estates over one million paying 25%. During the first year the Hughes Act was in force the loss in revenue was two million dollars. Four hundred million dollars of capital was withdrawn forthwith from the State; 5,700 safe deposit boxes were surrendered; owners of large capital organized holding companies, and legatees renounced

their legacies to escape the tax and were subsequently compensated out of the estate. As a result New York State in July, 1911, reduced its rates from 25% to 8% and made an attempt to abolish multiple taxation. The State of Florida this past year has by an amendment to its constitution abolished inheritance taxation altogether, hoping thereby to induce capital to flow into the State, and New York financial experts predict that Florida will find itself flooded with capital. From information obtained in confidence, I know that the high rates of duty in Western Canada (the facts are known in Britain) tends to curtail the investment of British capital in Western Canada, and this is a serious situation when sterling is returning to par, and British capital is being driven by excessive taxation at home to seek investment abroad.

(3) When taxation becomes so high as to offend public opinion, the average taxpayer feels no compunction in shirking responsibilities which under reasonable rates he would willingly assume, with the result that the actual revenue under excessive rates is less than it would be if a more reasonable tariff were in force. This shirking of responsibility may take one or the other of two forms: (a) Avoidance, the formation of holding companies being an example; (b) evasion, single premium life insurance policies payable to preferred beneficiaries under our Manitoba Act being an example. The remarks of Secretary Mellon, in the January Review of Reviews, are illuminating on this point. In speaking of taxation of incomes in excess of \$300,000, he pointed out that in 1916 under a 15% maximum tax one billion dollars was collected. In 1922, under a 58% maximum rate, the revenue dropped to 365 million, and upon a reduction of 25% in the maximum rate in 1924, 163 million more was collected than in the previous year. Ask your trust company manager how many enquiries he has had since 1923 as to how this taxation may be avoided or evaded.

From rather extensive inquiry, observation and experience I am satisfied that, by reason of the operation of the principles I have suggested, capital is being destroyed, is being withdrawn from and kept out of Manitoba, and that the revenue to the province would be greater under reasonable rates than under our present high rates, as the incentive to practice methods of avoidance and evasion would be gone. The remedy, to some extent, lies in the return to reasonable rates and the stopping up of the loopholes in the legislation.

Multiple Taxation

To understand properly the problem of multiple taxation a short summary of certain legal principles with regard to the situation of property is necessary. Dicey, the authority on private international law, gives the following rule: "Whilst lands and generally, though not invariably, goods must be held situate at the place where they at a given moment actually lie, debts, choses in action and claims of any kind must be held situate where the debtor or other person against whom a claim exists resides." He then goes on to state that there are certain exceptions to the latter part of this rule, giving as examples:

(1) Bearer bonds and bills of exchange to bearer, situate where instrument is held.

(2) Specialties (covenants under seal) where deed is situate.

(3) Registered shares at head office or transfer office of company.

(4) Share in partnership where business is carried on.

He then adds that for some purposes the maxim *mobilia sequuntur personam* applies and moveables of a deceased person are regarded as situate in the country where the deceased had his domicile at the time of his death. We have, then, the general principle that moveable property is governed by the law of the domicile of its owner and is not deemed to have any situs apart from that domicile, and notwithstanding this principle, so long recognized in British law, every State claims absolute jurisdiction over all the moveable property which is physically situated within its territory.

At the same time, it is important to bear in mind that it has been judicially decided that the provinces may validly impose three general classifications of succession duties, as summarized by Mr. S. Quigg in his recent article.

(1) A duty or tax in the nature of a probate or estate duty upon real and personal property locally situate within the taxing province, irrespective of the domicile of the deceased owner, where the tax is imposed as a condition of the grant of local probate or administration.

(2) A duty or tax on the transmission of property to a resident beneficiary on the death of a person domiciled in the taxing province at the time of death, notwithstanding that the property may be locally situated outside of the province at the time of death.

(3) A succession or legacy duty upon all the personal property of a deceased person dying domiciled within the province imposing the tax, irrespective of the local situation of the property.

The above generalizations may not bring home to the mind of the layman the difficulties of the situation so well as a brief summary of the cases in which the right of various provinces to tax personal property was challenged.

(a) Shares of Stock

1. Domiciled in Quebec, held stock in companies with head offices outside Quebec; Quebec entitled to duty. *Barthe v. Sharples* (1922), 1 W.W.R. 100.

2. Domiciled in British Columbia, held stock in companies with head offices in India and China. Share certificates deposited in London; British Columbia entitled. *Re Inverarity Estate* (1924), 1 W.W.R. 901.

3. Domiciled in Nova Scotia, held stock in bank with head office in Quebec. Certificates registered in Nova Scotia. Nova Scotia entitled by reason of shares being registered there. *Smith v. Nova Scotia* 58 S.C.R. 570.

4. Domiciled in Ontario, held stock in bank with head office in Quebec. Certificates registered in Quebec. Held Quebec not entitled.

Lambe v. Manuel, 1903, A.C. 68.

5. Domiciled in New York. Stock in company with head office in Nova Scotia. Certificates registered in New York. Nova Scotia not entitled. Attorney-General Nova Scotia v. De Lamar 54, N.S.R. 497.

6. Domiciled in Nova Scotia. Held bank stock and stock in companies with head offices in Quebec. Quebec entitled, except as to bank stock, which was registered in Nova Scotia. Smith v. Leveque (1923), S.C.R. 578. Quebec appealed as to bank stock to Privy Council. Appeal dismissed (December 22nd, 1924). Weekly Notes, January 3rd, 1925. (Brassard v. Smith, 1925), 1 W.W.R. 311.

In the above cases three considerations enter: (1) Domicile, (2) head office, and (3) transfer office and the claim of the province in which is situate the safety deposit box in which the shares are held may yet arise. It must be remembered also that every Act has a provision forbidding head offices to transfer shares until duty is paid. The Bank Act contains a provision providing for provincial transfer offices, but when the amendment was before the Senate the section was made permissive, and the practice is that the provincial transfer offices, even where they exist, will not permit stock to be transferred unless a release from succession duty is produced, both from the province in which the registry is situate and from the province of the head office of the bank, although the recent decision in Brassard v. Smith may remedy this situation.

(b) Bank Deposits

1. Domiciled in Nova Scotia. Deposit in bank in New Brunswick. Bank's head office in England. New Brunswick entitled. King v. Lovett, 1912, A.C. 212.

2. Domiciled outside British Columbia. Deposit in bank in British Columbia. British Columbia entitled. McDonald Estate, 9 B.C.R. 174.

3. Domiciled in Ontario. Deposit in bank in United States. Ontario not entitled. Woodruff v. Attorney-General, 1908, A.C. 508.

4. Domiciled in New Brunswick. Deposit receipt on and current account in bank in Nova Scotia. Held New Brunswick not entitled. Receiver-General New Brunswick v. Rosborough, 43 N.B.R. 258.

5. Domiciled in United States. Held deposit receipts on banks in Ontario. Ontario entitled. Attorney-General Ontario v. Newman, 1 O.L.R. 511.

Questions of domicile and situs are again in conflict here, and under the provision of the Bank Act resealed probate or administration must be produced to obtain deposits over \$500.00; and resealing is conditioned on first paying all succession duties claimed.

(c) Mortgages

1. Domiciled in Ontario. Mortgages on real estate in United States. Ontario entitled. Treasurer of Ontario v. Patten, 22 O.L.R. 184.

2. Domiciled in Ontario. Held in Ontario mortgages on land in British Columbia. Ontario entitled. Re Fisher, 7 O.W.N. 754.

3. Domiciled in New Brunswick. Held mortgages on real estate

in Nova Scotia. New Brunswick entitled. Receiver-General New Brunswick v. Rosborough, 43 N.B.R. 258.

4. Domiciled in Ontario. Held mortgages on land in Quebec. Quebec not entitled. Lambe v. Manuel, 1903, A.C. 68.

5. Domiciled in Ontario. Held in Ontario mortgages on land in Alberta. Alberta entitled. Rex v. Toronto General (1919), 2 W.W.R. 354.

Questions of domicile, situs and specialty debts are involved, and it must be remembered that to deal with the mortgages the estate must reside in the jurisdiction in which the land is situated and satisfy the succession duty to that province.

(d) Agreements for Sale

1. Domiciled in British Columbia. Held agreements for sale on land outside British Columbia. Agreements not payable and not held in British Columbia. British Columbia entitled. Re Walker (1922), 1 W.W.R. 803.

2. Domiciled in Manitoba. Held agreements for sale on land in Saskatchewan. Manitoba entitled. Estate Robert Muir, 8 W.W.R. 1226.

3. Domiciled in United States. Held agreements for sale on lands in Alberta. Agreements payable and held with certificates of title and executed transfer in United States. Alberta entitled. Vaughn v. Attorney-General Alberta (1924), 2 W.W.R. 821.

The same questions are involved as in the case of mortgages, and the necessity for resealing also arises.

(e) Registered Debentures

Domiciled in New Brunswick. Held debenture stock transferable and redeemable in Nova Scotia. New Brunswick not entitled. Receiver-General New Brunswick v. Rosborough. 43 N.B.R. 258.

Questions of domicile and situs are again involved, and the New Brunswick Act has now been amended to cover this point by taxing all property of resident decedents.

(f) Bearer Debentures

Domiciled in Ontario. Held bearer debentures in New York. Ontario not entitled. Woodruff v. Attorney-General, 1908, A.C. 508.

Ontario would claim duty under their Act as now amended, based on domicile.

(g) Promissory Notes

Domiciled in British Columbia. Held notes made and payable outside British Columbia which had never been brought into that province. British Columbia entitled. Re Walker (1922), 1 W.W.R. 803.

This is in conflict with the general rule that debts are situate where the assets to satisfy them are located. **Questions of situs and domicile again enter.**

(h) Interest in Partnership

Domiciled in Ontario. Head office of partnership in Ontario. Part-

nership held timber land and leases in British Columbia. British Columbia entitled. *Boyd v. Attorney-General British Columbia* (1917), 2 W.W.R. 242.

Here again we have conflict with a well settled rule of private international law, which holds that an interest in a partnership is situated where the business is carried on.

(i) Life Insurance

Domiciled in British Columbia. Held that proceeds of policy payable at death outside British Columbia were not liable in the hands of a British Columbia Beneficiary to duty to British Columbia. *Re Templeton*, 6 B.C.R. 180. It was also held in this case that policies payable to preferred beneficiaries form no part of estate of insured, but every province except Manitoba insists on its right to tax insurance in favor of preferred beneficiaries.

The illustrations might be continued, but we conclude from the above that the weight of authority seems to be that by an appropriately worded enactment the provinces have power to impose taxation upon the moveable property situate within their respective jurisdictions and upon the moveable property of persons dying domiciled within each of the provinces upon their moveable property, wherever situated, and the crime is that they do so. The Supreme Court of the United States has held that double inheritance taxation is legal. *Blackburn v. Miller* 188, U.S. 189.

Multiple succession duty taxation is becoming a grave problem in Canada, and when we realize that in cases of double duty one-third to one-half the asset may be confiscated and in triplicate duty the whole asset may not be sufficient to pay the tax, it is of the utmost importance that some action be taken to remedy the evil.

In the United States the estate of the late Henry G. Jackson, valued at about \$3,000,000, was subjected to taxation in eighteen States, the tax taking about 25%. Any estate with assets in Manitoba, Saskatchewan and British Columbia valued at \$3,000,000, with even half the estate subject to triplicate duty, would, going to Class I, pay 99% of that half; to Class II, 109%, and to Class III, 131%.

Every one concedes that multiple taxation is unsound, but political expediency and not sound economic principles furnishes the guide for legislators; and should the Federal Government come into the field, as had been suggested in all the budget debates of recent years, the situation would be considerably aggravated. In addition, there is the expense and delay of filing complete sworn statements of the estate and resealing probate or administration in several provinces, and obtaining releases from the succession duty department, before the estate can be effectually dealt with. There is an example of an estate which suffered a loss of \$120,000 through a three point drop in the market price of an oil company stock that required waivers from Oklahoma before a transfer would be made.

Idington, J., of the Supreme Court, in the Muir case said: "It is

the vicious practice of insisting upon such double taxation that has aroused some antagonism to these succession taxes. However reprehensible legislation producing such evil may be, it should have no weight in measuring the right and power of the province, and every attempt on the part of the courts to ameliorate such evil results by way of needlessly limiting and cutting down the power given by the B.N.A. Act to provincial legislatures weakens the forces which would otherwise be directed to enlighten public opinion and produce in the legislature a proper consciousness of the unrighteousness of such methods", and in the *Smith v. Levesque* case: "Are we to conclude that such a result as double taxation is inevitable? That is, above all things, to be avoided and certainly not invited."

Lord Robson, of the Privy Council, in *Rex. v. Lovett*, says: "Instead of the exemption from succession duty, which the foreign recipient of personal estate ordinarily enjoys by the comity of nations in such cases, the duty in this case is even doubled against him. By sec. 5, s.s. 6, the duty is doubled where the money or personal property in New Brunswick belonging, say, to a Nova Scotian, goes to any person residing out of the province, as for instance to its owner's relatives in Nova Scotia, and the tax is on the gross sum, though it may be money used in trade, and as such subject to many deductions before it can fairly be treated as net property. So far as it is net property, it would be again subject to succession duty in Nova Scotia on its transfer to that province. But these are considerations rather for the New Brunswick legislature than for the law courts, and though the courts will not easily adopt a construction leading to such results, yet if the language of the statute is explicit effect must be given to it."

The late Mr. R. C. Smith, K.C., who was counsel in several of the Privy Council cases on succession duty, says: "The references which I have made to several of the principal decisions has, I think, been sufficient to show that the anomaly does exist, not only potentially, but actually, and with full judicial sanction. The remedy in my opinion will not be found in any further text cases. Every substantial question that can be raised has, I believe, already been discussed and any future case would differ from those already referred to only in what Lord Hobhouse has several times called "verbal criticism" of the several Acts. The remedy is to be found in legislation."

And let me here interject the further observation that where two provinces claim duty the estate cannot interplead and compel the provinces to come into court as plaintiff and defendant. They are never both before the court except by intervention, and, so far as I can find, in only one case did a province intervene. As every test case is decided, the provinces will amend their legislation accordingly and the confiscation of estates continues.

The whole question was referred to a committee of the Canadian Bar Association, who reported in 1918 to the effect that the remedy for the anomalous position was not to be found in further test cases, but

rather in mutual understanding and reciprocal arrangements made with other provinces and foreign countries, and that the practical solution would appear to be that representatives of the different provinces agree to some uniform rule and adopt as the basis of taxation of moveable property stocks and securities, either the rule of domicile or the rule of actual situs.

A motion was put to the general meeting of the Association that the provinces be requested to adopt the principle of the situation of the property, as opposed to that of domicile, and that location of the property to be taxed be the dominant factor in the taxation. This motion was lost. The provinces will doubtless favor taxation upon the *mobilia sequuntur personam* or upon the rule of situation according to the number of important head offices that happen to be situated within their limits and according to their belief as to whether more persons domiciled within their own property in other provinces or vice versa.

In 1922 the Commissioners for Uniform Legislation referred the problem to the Nova Scotia Commissioners, with instructions to prepare a draft act based on situs. They reported in 1923 that in their opinion it would be futile to draft a new Act based on situs, and to attempt in such a draft to settle the various points of difference between the several provinces, at least without first calling a conference of all the provincial succession duty authorities, with a view to ascertaining whether an agreement could be reached as to the basic principles of such an Act. The only useful purpose at the present time of a draft Act based on situs would be for the purpose of discussion, and if such discussion was desired the Commissioners recommended and presented the Alberta Act, which more distinctly than the Act of any other province is based on situs. The discussion was postponed till the 1924 conference, and at the 1924 conference it was again postponed till 1925, when the meeting will be held in Winnipeg.

Our neighbors to the South are also struggling with the situation. In 1922 the majority report of National Tax Association was in favor of taxing real estate where situated. Limit taxation of personal property to State of domicile, and where duplication unavoidable apply the Matthews Flat Rate plan (New Hampshire). The minority report was in favor of taxation on the basis of actual location of property. Intangible personal property—the mere paper representatives of the tangible property—taxable at the situs of the tangible property which they represent. Book accounts, promissory notes, debts to be assigned to domicile.

The National Tax Association in August, 1924, issued a statement from which we extract as follows:

"It has become evident that the time has arrived for action of a somewhat more fundamental character than mere meeting and discussion by those who will attend the conference. The general dissatisfaction with present death taxes admittedly arises from two main causes:

(1) Entrance of Federal government into the field.

(2) The confusion, irritation, expense and burden of State taxes imposed by numerous States, often operating upon a single estate, but designed and administered by these various States without due regard for the consequences.

The following definite alternatives are therefore sharply presented at this time:

(1) Abandonment of inheritance taxes as a source of State revenue.

(2) Collection of such taxes by Federal government, with distribution by it of part or all of the yield among the States.

(3) Abandonment of these taxes as a source of Federal revenue, with a working agreement among the States to accomplish equitable results."

At the 1924 conference held in September it was resolved: "That this conference hereby recommends that the National Tax Association through its officers or an appropriate committee take such steps as may be necessary to bring about a conference of properly qualified representatives of the State and Federal governments, and take such further action as it may deem advisable to further the purposes of this resolution."

Such a conference will be held in Washington, D.C., February 19-20, 1925.

There has been considerable agitation in Canada among various bodies to remedy our situation. and some inter-provincial conferences have been held in the East; but so far not much in actual results has been accomplished.

On Nov. 11th, 1924, a conference was held in Ottawa between representatives of the Dominion Government and the various provinces, when the question of succession duties was raised, and before closing the meeting passed a resolution adopting an agenda which included the question of reciprocal relations among the provinces with respect to succession duties. So far as I can ascertain, no date has yet been set for the meeting this year.

Conferences have also taken place between the provinces of Ontario and Quebec, and there is a reference in the speech from the throne, delivered at the opening of the Quebec Legislature (January, 1925), indicating that some understanding insofar as Ontario and Quebec are concerned will probably be entered into in the near future.

Another important point that should not be lost sight of is that the longer the provinces are permitted to continue their present attitude towards taxation, the harder it will be to get them to relinquish what they have come to look upon as their inalienable rights.

I would now like to deal briefly with several points where it might be advisable to have more uniformity in legislation.

Interest

In Manitoba, Alberta and British Columbia interest is charged from date of death at 6% if duty is not paid within six months. In Saskatchewan the rate is the same, and the period twelve months; while Prince Edward Island has the same rate. but the period is eighteen

months. Nova Scotia and Ontario have a 5% rate, with an eighteen-month period. New Brunswick has the same rate, with six months; and Quebec allows only four months.

Discount

Nova Scotia and Ontario are the only provinces which allow discounts for prompt payment, both allowing 3% if paid within eighteen months.

Apportionment of Debts

So far as I can ascertain, Manitoba and Saskatchewan are the only provinces which do not apportion debts, both holding that the only debts that should be deducted are those owing to creditors in the province.

Valuations in Case of Dispute

Alberta, British Columbia, Nova Scotia, Prince Edward Island, Quebec and Saskatchewan refer the matter to a Commissioner to be appointed by the Lieutenant Governor-in-Council. In New Brunswick and Ontario it may be referred to the Sheriff or a Commissioner. In Manitoba the only reference is to the Sheriff, who may not have the necessary qualifications to value the assets of an estate.

Insurance

British Columbia, New Brunswick and Ontario tax all insurance. Nova Scotia and Saskatchewan exempt \$5,000 to members of Class I. Alberta exempts insurance for duty. Quebec exempts that of non-residents where contract was not made in Quebec. Prince Edward Island taxes only insurance payable to the estate. Manitoba is like Prince Edward Island, and in addition exempts that for duty. Interesting questions will doubtless arise in connection with the collection of duty on insurance where policies do not form part of the estate of the deceased.

Exemptions

There is great variety in the matter of exemptions, although all are based on the principle that very small estates should be exempt, with an exemption of from \$10,000 to \$25,000 to families of residents and smaller amounts to collaterals and strangers. The matter of charities and insurance is dealt with elsewhere, and the only other class of exemption is for soldiers' dependents. In Manitoba it is rather unfair that an estate of \$25,000 going to domiciled beneficiaries of the first class is exempt, while an estate of \$25,001 going to members of the same class pays \$500.

Charities

British Columbia, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, entirely exempt bequests to charities within the province. Alberta has an exemption not exceeding \$2,000 for any one purpose. Quebec exempts \$1,000 to each charity and reduces the rate to hospitals. Saskatchewan and Manitoba are the only provinces which provide no exemption for charities, although Manitoba taxes at the rates applicable to collateral relatives, but I submit that the proviso

to subsection "e" of Section 6 of the Manitoba Act is capable of different interpretations.

Reciprocal Provisions

Alberta is the only province which does not make some provision for reciprocal relations with other provinces. This is doubtless due to the fact that Alberta does not attempt to tax property without the province. In the Nova Scotia Act the reciprocal provision applies, whether or not similar treatment has been accorded Nova Scotia, and in this respect it is different from all the other Acts. In all the other provinces the provision is to the effect that where any property locally situate out of the province there shall have been paid elsewhere any duty, an allowance shall be made for the duty paid and only the excess collected; provided (1) that such other provinces reciprocate, and (2) that the Lieutenant-Governor-in-Council shall have extended the provisions of this section to such province.

The present situation with reference to orders-in-council is as follows:

British Columbia extended only to Ontario and Great Britain.

New Brunswick—No orders-in-council have been passed because it would be to the advantage of larger and wealthier provinces of Ontario and Quebec.

Ontario—Orders-in-council passed and supposed to be in force with all provinces except Quebec and Alberta; but as most of the provinces do not reciprocate, provisions only effective as to Nova Scotia, Prince Edward Island and British Columbia. Negotiations at present under way with Quebec.

Prince Edward Island—The provision extended only to Ontario by order-in-council dated 22nd August, 1912.

Quebec—No orders-in-council have been passed.

Saskatchewan—The section is a dead letter. No orders-in-council have been passed, and there is no reciprocal arrangement of any kind in force or contemplated at present.

Manitoba—The section was first enacted in 1909, Ch. 69, Sec. 2, and an order-in-council No. 13929 passed on April 5th, 1909, extending it to Ontario. The section was repealed in 1911, Ch. 60, Sec. 4, and was not re-enacted till 1914, Ch. 113, Sec. 3. Under the new section no orders-in-council have been passed, so that Manitoba has no reciprocal provisions with any other province.

The Province of Quebec does not attempt to tax future or contingent estates on an actuarial basis, and it employs a peculiar method of computing the duty. The Provinces of Alberta, Saskatchewan and New Brunswick discriminate against non-residents, as will be seen by reference to the comparative table of rate. Manitoba between March 1909 and April 1924 issued tax free government bonds. It might be noted in this connection that it was held in *Lovitt v. Attorney-General, Nova Scotia*, 33 S.C.R. 350, that, although the debentures themselves were not liable to duty either in the hands of the executors or of the

purchasers, the proceeds of their sale (under a direction to sell contained in the will) when passing to legatees were.

See new legislation in Ontario, giving Provincial Treasurer power to confiscate bonds in payment of duty, so that they can only escape taxation once.

The Manitoba Act is also open to criticism on the following grounds:

(1) No provision for application for refund where estate does not realize valuations.

(2) No allowance for contingent liabilities.

(3) There should be one tax to cover probate fees and succession duty.

(4) Bonds for duty should bind trustee only insofar as he has assets of estate.

(5) The Act assesses and makes estate liable for duty on assets which never come into the hands of trustees, and also provides duty must be deducted before asset turned over to beneficiary—e.g., gifts within two years of death.

(6) No provision for exemption where husband dies and wife dies shortly afterwards, both estates taxed.

(7) No provision for exemption of collections of art or curios which are of national interest.

Suggestions

(1) As regards all the provinces.

(a) Conference of all provincial succession duty authorities to ascertain if an agreement can be reached as to the basic principles of a uniform Act based on domicile, or situs, and if so, have the agreement embodied in an inter-provincial treaty and legislation based on the treaty enacted.

(b) The putting into effect in all provinces of reciprocal provisions similar to those now appearing in many provincial Acts.

(c) Creation of inter-provincial board, with power, to adjust equitably claims of multiple taxation as between provinces and estate.

(d) Collection by Federal government and distribution among the provinces.

(2) As regards Dominion Government:

(a) Request Federal government to leave this field of taxation to provinces.

(b) Make provision in Bank Act re transfer offices for stock imperative.

(3) As regards Manitoba:

(a) Manitoba's participation in above.

(b) Lowering of rates to level where source of revenue would not be destroyed, and which would invite rather than expel capital, and do away with the evils of avoidance and evasion.

(c) Extend the period to 18 months without interest.

(d) Make provision for discount for prompt payment.

- (e) Apportion debts.
- (f) Do away with reference to sheriff re valuations and provide appeal to Commissioners to be appointed by Lieutenant-Governor-in-Council.
- (g) Remedy unfairness re exemption of \$25,000.
- (h) Exempt charities within province.
- (i) Extend reciprocal provision by order-in-council to any provinces that are prepared to reciprocate.
- Do away with discrimination against non-residents.
- (j) Do not issue any more tax free bonds.
- (k) Amend Act to cover following points:
 - (1) Refund where estate does not realize valuations and there is no negligence.
 - (2) Provide for allowances for contingent liabilities.
 - (3) One tax for succession duties and probate fees.
 - (4) Amend form of bond.
 - (5) Special provision as to assets which are dutiable under Act but do not come into hands of executor or administrator.
 - (6) Provide exemption where husband and wife die within two years of each other.
 - (7) Exempt collections of art or curios which are of national interest.

Mr. Fisher then submitted the following resolution (No. 3):

RESOLUTION No. 3.

Moved by R. M. Fisher.

Seconded by T. A. Hunt, K.C.

WHEREAS it is evident that the high rates of Succession Duties in Manitoba tend to destroy the source of revenue and cause capital to be withdrawn and kept out of the Province of Manitoba, and disengage the investment of the new capital which is necessary for the development of the Province;

AND WHEREAS the actual revenue of the Province of Manitoba would be greater under reasonable rates than under the present high rates, as the incentive to practice methods of avoidance and evasion would be gone;

AND WHEREAS multiple Succession Duties imposed by various Provinces operating on a single estate result in confiscation;

NOW THEREFORE be it resolved that the Executive of this Conference take such steps as it shall from time to time consider advisable to ensure:

- (a) That a conference of all Provincial Succession Duty authorities be called as soon as possible to ascertain if an agreement can be reached as to the basic principles of a uniform Act based on Domicile or Situs, and if so, have the agreement embodied in an interprovincial treaty and legislation based on the treaty enacted; and in so far as this may not be possible, have uniform

reciprocal legislation enacted with a view to doing away with the evils of multiple taxation;

(b) **That** the need of a fundamental revision of the present Succession Duties Act be impressed on the Government of the Province of Manitoba, and in such revision the said Government be requested to deal with the following recommendations of this Conference:

1. **That** the rates be lowered to such a level as will avoid the tendency to destroy the source of revenue, and which will invite rather than expel capital and do away with the incentive to practice methods of avoidance and evasion.
2. Extend reciprocal provisions by Order-in-Council to such Provinces as are prepared to reciprocate.
3. Remove the discrimination against non-residents.
4. Exempt charities within the Province.
5. Extend the period for payment without interest to eighteen months.
6. Make provision for discount for prompt payment.
7. Apportion debts.
8. Provide for an appeal to Commissioners on Questions of valuation.
9. Relieve trustees of responsibility for duty on assets which do not come into their hands.
10. Provide reasonable exemption where husband and wife die within two years of each other.
11. Remedy the present unfairness regarding exemption of \$25,000.00 to Class 1 and make provision for further exemption where surviving husband and wife have infant children or other dependents.

Mr. Fisher: I may say frankly that this whole question demands, possibly, further consideration. I thought that there were certain things that probably the Conference would possibly submit to both the Provincial authorities and the Dominion Government, but in framing the resolution I purposely left out certain points which I thought had better be further discussed and crystalized a little, before this or any other body should put themselves on record with regard to them. Mr. Hunt thought it advisable that the Premier should be spoken to before that legislation was decided on by the Cabinet, and about a week ago Mr. Hunt and myself had an interview with the Premier, at which I discussed the principles of the thing with him. I told Premier Bracken that the point I wanted to insist on was this: The question in my mind was of such importance that, rather than tinker with the present Act to satisfy either one or the other opinion that might be pressed upon him at the moment, he should consider the whole situation and not tinker with it until he was prepared to do the thing properly.

Mrs. Gee: I think no matter where the estate is, nor what it is comprised of, if the one that is left has a family to raise of small chil-

dren, or perhaps in addition has a dependent parent, would it not be fair that there should be a certain amount of that estate clear of succession duties for each dependent upon the estate? To me it seems only fair. You take some estates: the party that is left has no one dependent but himself on that estate. In many other cases there is a large family and children to raise, and in some cases, in addition, old people to be taken care of. I think we should have one more addition to this recommendation—that is, that a certain amount should be left clear of succession duties for each dependent who has to be cared for by that estate.

Mr. Fisher: There is no legislation parallel to the point you suggest in any Province in Canada. There is a provision for the exemption of dependents of soldiers either in the late war or any of the active militia, who die at the present time, in service. I personally would not want to commit myself. It might be rather difficult of administration. But it is a matter for the Conference to consider. It is a new departure. I do not see any other objection except that of administration.

Mr. Ward: What is your proposal?

Mr. Fisher: Starting at a lower rate, so that we would not have a jump from nothing to \$400.00. It seems to me that it should start at a little less than \$400.00 and work up. Purely a matter of adjustment.

Mr. Ward: You do not intend that the \$25,000.00 should be eliminated?

Mr. Fisher: No.

Mrs. Gee: We are here try to to see if we can have this taxation put on a more equitable basis. To me it is very unfair—two women left, one only herself to live on the estate, the other left with five or six children to raise; and it might be a new departure. I think it would be very well if Manitoba would set the pace of the new departure. It comes very close to me, and I have studied it. I have in mind one family where they have not only a family of small children, but two dependent old people. If one were taken from that home, and the remaining one left with the burden of taking care of these old people, and educating the children—it seems to me there should be some provision made whereby the one would have a little more left over than the other who has herself only to keep; and I think the fact that it might be hard of administration is no reason why we should not make the recommendation, if only to be fair and just.

Mr. Whellams: Suppose a man owning property died and did not leave his family sufficient to pay the duties—what would be the result? Would the property be sold?

Mr. Fisher: The dependents would either have to borrow the money to pay duty or the Government would take the property. You would have to be very careful when valuing—what you put in when you filed the papers. The question of a bond—in that case, if you were given

a bond to pay the duty and had not the money available, the Act provides that that duty must be paid. If you valued the estate at so much, the Act says you must pay so much, based on that valuation.

Mr. Whellams: No, but will the Government take my valuation, or insist that I give them the assessed valuation? This is a very serious point, and I am just wondering exactly what would happen—what would be the position of a real estate man who had to find the tax on \$25,000—if he could not find the tax the Government, according to the Act, can pick on that man—it only shows how far-reaching this taxation problem is.

Mr. Glen: Any further discussion?

Dr. Magill: These suggestions should be considered. Our existing law is to be condemned on the ground that the prosperity of this Province will never come back under a legislation of that kind. Capital in this Province is being driven out by that legislation. I have a great admiration for the speaker. I do not see how he could tell us what he has told us and keep his temper. I could not, if I had the same grasp of the subject. I wondered whether we were living in a civilized community or not. Like the majority of people in this Province, I have nothing to leave. We talk about immigrants—about inviting capitalists to invest here. I think we should take a copy of our Succession Duties Act and give one to every intending immigrant and every capitalist we invite to invest in this Province. There are details in this resolution that I am not competent to form opinions on. But I am sure everyone here will agree with me that we ought to express our opinion, as an Economic Conference, that legislation of this kind is an impediment to our progress—makes it impossible. And I think, by way of introducing this resolution, we ought to make a short statement to that effect. The thing is too calm. I think we ought to show a little pep in our introduction to this resolution. I have a good deal of sympathy with the remarks of this lady (Mrs. Gee). I have some sympathy with Mr. Ward's question. These are details. The fact is that this legislation is killing us, and we ought to get it out of the way and get a new Act that will give us a chance to develop this Province of Manitoba.

Mr. Glen suggested that the resolution be submitted to the Resolutions Committee, to be brought up next day when the Resolutions Committee submitted their report. **Mr. Glen** said: We have not a very large audience here, and it might be that tomorrow there might be a considerable number not seized of the facts. There might be a difference of opinion. It would take some time to re-draft that resolution, and I think it would not be wise to carry that on, and in any case it is against the method of procedure we adopted at the beginning. May I make a suggestion—that this Conference pass tonight the resolution as read by Mr. Fisher, and add to it that the Executive of the Conference take the necessary steps to submit the facts in the resolution to the Provincial Government, and also to the Dominion Government:

and then, with the assistance of Mr. Fisher, have a presentation to the Ministers, and all the pep that Dr. Magill speaks of can then be imparted? Would that be acceptable?

Mr. Fisher: Mr. Hunt asked me to present the problems to the Conference. Dr. Magill has the kernel of the situation in his remarks.

Mayor Cater: I would like to express my appreciation of the address of Mr. Fisher. I would suggest again that there might be some clause whereby the parent that is left can have so many thousand exempt, for each dependent, whether a child or father or mother or infirm people. It seems to me that the principle that is followed in the Mothers' Allowance is good—that is, so much for a parent, and so much for each child. I think the point is very well taken indeed, and that we, as a body of men and women in this Province, should not overlook such an important point. I would suggest that when this comes up there be some provision made along the line that this lady (Mrs. Gee) has spoken of.

Mr. Ward: I think this discussion has been a little bit one-sided. I am not in favor entirely with the resolution proposed. I am not in entire sympathy with the proposal that the Dominion Government should not have succession duties; in fact, I think it would be better if it were a Dominion Government tax instead of a Provincial tax. I don't know that I want to support a resolution that the rates under the succession duties should be lowered, particularly upon the large estates. You must remember that to a widow or near relative there is already an exemption of \$25,000. I think, perhaps, the last people overlooked that. There is an exemption of \$25,000. I think every one will agree that duplicate and triplicate taxation is improper, and I entirely agree with the part of the address dealing with that matter, and suggest that it should be overcome by inter-Provincial arrangements. It might be very much more easily overcome if the succession duties were left to the Dominion instead of the Province. I was glad that Mr. Fisher did not propose that succession duties should be done away with altogether, because usually at a conference on taxation you find everyone who introduces a discussion on any tax wants it reduced, or done away with. I believe in the principle of the inheritance tax. When a man has made his fortune—it may be by his energy, it may be by his foresight, or it may be that he has made his money at the expense of somebody else; but however it was made, he couldn't have done it without the protection of the law, and when we find that a man has made that money—a million dollars, say—and at the same time the Government which has enabled him to make that money has accumulated a large debt—I think it is perfectly proper that a good slice of what he leaves should be taken by the Government and applied to the reduction of the debt, always provided that sufficient is left for the maintenance of those who have been dependent upon the deceased and who would have been dependent upon him had he continued to live; and when I speak of dependents I do not speak of able-bodied

boys and girls, old enough to take care of themselves.

There was also a very strong case made out in regard to succession duties taking away capital, required in production, and I think that could be overcome. The difficulty is, I presume, that where money is invested, it may be, in manufacturing, in order to pay the succession duties the estate has to be sold to get the money. Instead of requiring that the succession be paid in cash, it might be suggested that a portion of the estate be taken; but I would not be in favor of that proposal, because, while I agree in principle with public ownership, I do not think it would be well for the Government to be in general business. But I think it could be arranged, for instance, the Government might, if it were not convenient for the administrator to pay the succession duties in cash, be supplied with some kind of a mortgage upon a portion of the property, with a reasonable rate of interest and provision for sinking fund, so that the Government would eventually be paid off. In Manitoba, the succession duty, when the estate is left to the immediate family, on one million dollars, is \$170,000—17 per cent—and I do not think that it is any great hardship for a man who has accumulated one million dollars in this province, that the province should get \$170,000 of it. If the money was invested in a manufacturing institution, they could take bonds for \$170,000 and put these bonds into capital account. Money received from succession duties, in my opinion, should always be considered as capital, not as income. It should be used to reduce the public debt, and only the interest treated as income. I would point out again that if we are going to do away or reduce we have to find some other source from which to get the money, and I don't know of any way in which this province can raise revenue which would cause less hardship than getting it from estate of some one passed away. I have never heard anyone complaining about the taxation put upon their estate! Then, as regards capital being moved out of the province. I don't know just where a man could have his capital and escape succession duties. They have it in Russia. He could not take it to the U.S. Generally speaking, there are succession duties in all the leading countries, and you could not take it to the moon, owing to the transportation difficulties—

Mr. Glen: Mr. Ward, are you moving an amendment?

Mr. Iverach: Might I suggest, that it be referred back to the Resolutions Committee to be redrafted. It is quite necessary, if we are going to get anywhere with this sort of thing, that the public as well as the government be seized of the facts. Some of this information can be embodied in the resolution. Mr. Iverach moved that the resolution be referred back to the Resolutions Committee to be redrafted, and presented to-morrow; seconded by Mr. Whellams. Carried.

Mr. F. C. Roland, on being called upon by the Chairman, then read the following paper on "Special Taxes":—

(A) TAXATION ON INDUSTRY

By Chas. F. Roland

General Secretary, Employers' Association of Manitoba.

Among the innumerable factors with which industry has to reckon, one of the most important is taxation. This is, of course, particularly true during this post-war period, when the countries which bore the brunt of the war are obliged to raise huge sums to pay war debts.

Industrial organizations realize as clearly as any other portion of the community that present-day administration of public affairs requires large expenditures of public funds and they are not unmindful of the discouraging problems of all governments, and especially the unrequited tasks of raising extraordinary revenue with the least apprehension of the public minds, and minimum disturbance to commercial welfare. They also realize that industrial organizations are units through which a large portion of these public moneys must be collected, but they assert, and not without some justification, that the cost of tax collection is much too high, not only in the visible expense elements, namely, upkeep of assessment, inspection and collection departments of public administrations, but also in the invisible cost items, namely, the increased overhead burdens imposed upon industries in maintaining the additional advisory and accounting staffs necessary to extract official approval to numerous and detailed statistical or other returns.

In recent years the ratio of taxation burdens to other overhead expenses of industrial organizations has increased to an alarming extent. Continued optimism for local and national public works and political acceptance of socialized obligations, hitherto evaded, coupled with huge war obligations, have greatly intensified the necessity for increased public revenues, which can only be obtained by more intensive systems of assessment and exaction. National, provincial, and municipal revenue-producing legislation has permeated the industrial fabric, requiring not only continuous cash disbursements, but an ever-increasing outlay for accounting, clerical and technical assistance. Even with the soundest of business administration in all other aspects, and continual alertness to the ever-changing panorama of Dominion-wide taxation, Manitoba industrial organizations are rapidly becoming so tax-handicapped in their cost of production budget that not only are they estopped from forecasting lower prices to the consumer, but they must submissively anticipate their own possible elimination from outside market competition.

Only those thoroughly conversant with approved commercial book-keeping practice can appreciate the additional functions necessary in any organization to carry innumerable sales tax items from cost or billing clerk's entries, through the various accounting stages of properly recorded tax included or tax additional invoices, to the visible and segregates acceptable to Government departmental inspection.

Sales taxes being payable monthly in respect to commodity invoices, whether or not the manufacturer has received payment, make manu-

facturers unwilling bankers for the government during the period between remittance to it and receipt from the purchaser, and in the event of non-collection of accounts, they become penalized sureties. Even the required monthly declarations upon oath, of the correctness of filed returns, adds its element of expense, especially when Income Tax regulations are satisfied with the use of a simple certificate.

An outstanding barrier to the reduction of the internal industrial tax burden is the apparent failure of tax officialdom and the general public to realize the actual number and distinct species of taxation enactments to which business undertakings throughout the country have been made subservient.

While certain reports are, of course, necessary for data purposes, administrative departments should steadily combat the tendency toward their increase in number and detail, realizing that industry already bears a heavy burden. An actual tabulation recently made by one company showed that in the twelve-month period in pursuance of tax legislation they had filed some sixty-two different official returns, ranging all the way from Dominion-wide statistics of monthly commercial transactions or annual profits to widely distributed provincial or municipal reports of wages paid to employees and dividends to shareholders, let alone the reports filed under Companies Acts, Workmen's Compensation Act, Minimum Wage legislation or Bureau of Labor requirements.

To give an example, Manitoba has granted the highest scale of Workmen's Compensation benefits in Canada (indeed, in the whole world), and has put into force factory regulations of various kinds which have the effect of substantially increasing the burden on industry to an extent which does not obtain in other provinces. Time will not allow my dealing with any more than one of these tax burdens in industry, and in this I will refer to Workmen's Compensation, although there is almost a score of other Acts on the Statute Books, such as Bureau of Labor Acts, the Building Trades Protection Act, the Housing Act, Fair Wage Act, Elevator Act, Employment Bureau Act, Industrial Conditions Act, Minimum Wage Act, and so on.

The amount of money distributed by the Manitoba Workmen's Compensation Board, according to its annual reports to the Government of Manitoba, shows such a steady and rapid increase over the six-year period, 1917 to 1922, that employers feel that a halt should be called or this tremendous burden will eventually extinguish the source from which it comes.

The annual report shows:

1917	\$312,872.24
1918	339,256.41
1919	326,518.56
1920	468,276.29
1921	698,524.17
1922	807,810.61 (over 2½ times 1917)

Including 1923, the total amount of money paid into the Workmen's Compensation Board by employers has been \$4,321,000.00.

While the employer is the "direct" taxpayer in this respect, this burden, which is now approaching nearly \$1,000,000 a year, is passed on to the farmer, the laborer, the office worker and general public in the commodities they must buy to eat, drink or wear and in transportation costs.

Can you believe it was the intention of the Legislature to provide compensation amounting to such sums as \$15,000, \$18,000 and \$21,800 in individual cases? But such payments have been made by the Compensation Board under the Act. Are not these amounts far in excess of average accident insurance carried by the balance of Manitoba citizens generally, who are not so fortunate as are those workmen who come under the Compensation Act, as only approximately 20 per cent. of those gainfully employed in this province come under the Workmen's Compensation Act.

If maximum compensation is not established in Manitoba, then the charge upon consumers and taxpayers will continue to increase to a point where industries under the Act will find it impossible to operate, thus adding to the already complex problem of unemployment. I find in the U. S. Labor Review, January, 1923, page 165, that 23 states place a limit on the maximum compensation payable, the maximum amounts ranging from \$3,000 to \$6,000, and further, that in Great Britain the maximum compensation is £600, or less than \$3,000. In Manitoba there is no limit, and, as I have stated, there has been amounts exceeding \$20,000 paid.

There are many women without a husband, and children without a father, that have had their bread-winners incapacitated from illness or from accidents, other than those that are covered by the Workmen's Compensation Act, that have no allowance of \$30 per month, or of \$7.50, or 66 2-3 per cent. of their average wage, or any other allowance whatsoever. Yet these women and children get just as cold and just as hungry as the fortunate group comprising only 20 per cent., for whom an allowance of \$30 per month, or \$7.50, or 66 2-3 per cent. of the average wage is provided. And further, the groups that get no allowance and have to provide the necessities of life themselves, contribute and pay to the group that are provided with the allowance, something almost every time they pay their rent or buy fuel or clothing or food.

A builder when he builds a house has to pay Workmen's Compensation premiums or assessment on the payroll of the men he employs in the work. If he pays \$200 premiums or assessments, it costs him that \$200 extra to build the house. When it is built the owner will expect \$15 or \$20 or 25 a year more rent because of the investment of \$200 he has put in by way of premium or assessments to the Workmen's Compensation Board. The man or woman who rents the house will have to contribute to the allowance paid to the fortunate group

for whom an allowance is provided.

How can it possibly be hoped that our rural sections will be populated? How can it be otherwise under our present laws than that our cities will fill up at the expense of the rural sections? The wage the man gets in the city as a rule is vastly higher than the wage paid to the country worker. The work of the city worker is not, on the whole, as hard or as long as that of the farm toiler. If the farm laborer is injured, there is no 66-2-3 per cent. of his average wage for him. If he is killed, there is no \$30 per month for his widow, or \$7.50 to \$12 per month for each of his children.

At the 1924 session of the Legislature there was legislation introduced in three items alone, which, if enacted, would have cost the citizens of Manitoba over \$433,000 annually, and if computed over five years by the Compensation Board would have added an additional tax burden on consumers in this province of over \$2,000,000.

The Workmen's Compensation Tax, with other burdens on industry, is creating an economic condition which is doing much to discourage investment in new enterprises as, in addition to the hardship they impose upon the consumer who pays the tax, it is also a cause of unemployment because industry is restricted by its operation.

The development of industry in this province is important to every citizen. To the farmer, dairyman and gardener it is important because it increases the home market for what he raises; to the merchant because it adds to his trade; to the workingman because it increases the number of jobs and opportunities; to all of us because it adds to the value of property and at the same time distributes the tax cost over a greater number, thereby reducing the amount paid by each individual.

It is a regrettable but easily established fact that manufacturing has steadily decreased in Manitoba during the last four years. The Dominion Bureau of Statistics show 13,989 employees engaged in manufacturing in Manitoba in 1919, compared with 10,649 in 1922, a falling-off of 25 per cent.

Manufacturing will undoubtedly continue to decrease unless the handicaps under which it is carried on in Manitoba, as compared with competitive manufacturing fields, are reduced.

Workmen's Compensation is only one of the many taxes on industry and on the public that is bringing about an industrial condition unparalleled in any other section with the same opportunities as in Western Canada, and in order to impress upon this conference I give the following facts compiled from Dominion Bureau of Statistics and letters on the subject relating to manufacturing in the three Prairie Provinces:

That 1922 shows a loss in capital investment over 1919 of \$22,978,483.

That 1922 shows a loss in wages to workmen over 1919 of \$4,118,540.

That 1922 shows a loss in raw material used to value of \$57,084,164.

That 1922 shows a loss in value of output of \$68,928,650.

Ownership of land, buildings, equipment, stock-in-trade, etc., involve additional levies of localized municipal taxation. Any attempt

to thoroughly discuss the prevailing types of municipal assessment legislation is impossible, except in a manual of municipal information, and even then the succession of constant amendments would likely render such treatise obsolete within a short period.

Undesirable features of business taxation on the basis of new income from the industrial viewpoint are:

First—Duplication or double taxation, first upon the enterprise, and again upon the shareholders; and

Second—Overlapping of assessment and difficulty of segregation of business done in the municipality from that beyond its jurisdiction.

In addition to the general taxes levied in every municipality there are, of course, various local improvement rates and license fees which, however, by reason of their number and types, would have to be the subject of a separate review before this Conference.

Now, while most of the factors with which industry has to reckon are uncontrollable, this taxation is, it is submitted, something which, to a considerable extent, can and should be controlled.

It is disquieting to find that in comparison with certain other provinces, Manitoba is more and more ceasing to be regarded as attractive industrially. This, it is submitted, is largely due to the substantial increases during recent years made in the tax burden on Manitoba industry.

These points are emphasized, not from any desire to relieve the Manitoba employer or manufacturer of his proper responsibilities, but in order that it may be realized in what a different position Manitoba stands, and how important it is from the point of view of the welfare of the whole community that industry should not be asked to pay more than its fair share.

Since 1920 the country has gone through a period of economic depression, and it is beyond question that the taxation of industrial dividends has tended greatly to increase the difficulties with which industry has been confronted. This, one of the most serious of these difficulties, has been lack of capital. Industrial investment is precarious, and particularly since the war investors have got more and more in the habit of putting their money into Government bonds and other gilt-edged securities, rather than into industry. This tendency obviously is accentuated by anything which makes industrial investment less attractive, as the taxation of industrial dividends undoubtedly does. This is all the more serious at a time when it is imperative that large numbers of immigrants should be attracted to our province, for it is industry which must be depended on to provide employment for the great bulk of the newcomers, especially during the winter months.

In Conclusion

In Conclusion.—If it is asked where the revenue is to be raised, if taxation of industrial dividends is to be abandoned and other revenue-reducing amendments made, my submission would be that if this addi-

tional revenue is really necessary it should be raised by making the necessary increase in the general mill rate. This would have the advantage, among other things, of bringing the increase in taxation forcibly to the attention of the electors, and thus bringing the effect of curbing public extravagance.

It is common knowledge that there is a disposition on the part of Municipal Councils to gain credit for their administration by imposing a low mill rate, and to obtain the necessary revenue by increasing assessment, or finding new sources for taxation. This, it is submitted, inevitably leads to extravagance. If, however, the bases of taxation are kept within well-defined limits, municipal bodies, in their natural desire to keep the mill rate as low as possible, will preforce be driven to practice economy—which, I submit, is perhaps the crying need of the present situation. Therefore, my recommendation is that citizens should organize to control taxation, and respectfully submit the following resolution:

Mr. Roland concluded by moving Resolution No. 4, which was seconded by Mr. S. R. Henderson, and carried unanimously. The resolution was as follows:

RESOLUTION No. 4.

Whereas tax burdens have been increasing more rapidly than the population productive capacity, or value of property, and in some jurisdictions are practically confiscatory of the income; and

Whereas excessive tax rates create dissatisfaction, impair the morals and confidence of our people, mar the orderly development of our community, and jeopardize the stability of our institutions

Now, Therefore be it resolved, that this Manitoba Economic Conference approve and encourage the organization of Public Budget Bureaux and Taxpayers' Associations, in order to promote a more intelligent conception of the basic necessities and purpose of taxation, and a larger understanding of the process of levying, assessing, collection and distribution of taxes, and that this Conference urges members to co-operate with Tax Organizations and Budget Bureaux in reducing all taxes to the lowest rates consistent with our best welfare; in preventing wasteful or unnecessary expenditure of public funds; and in keeping the bonded debt within bounds reasonably consistent with ability to pay.

Mr. A. C. Emmett, Secretary of the Manitoba Motor League, then read a paper on Automobile Taxation, as follows:

(B) AUTOMOBILE TAXATION

By A. C. Emmett, Secretary Manitoba Motor League

General taxes are those which are collected upon all classes of property for the purpose of raising money to conduct the general functions of government. Ability to pay, rather than benefits derived, constitute the justification of the tax imposed and the amount paid by any one taxpayer.

Special taxes, on the contrary, single out certain classes of indi-

viduals to pay additional taxes, which are levied exclusively on such classes on the theory that expenditures made are of benefit only to such classes. Annual automobile license fees, gasoline tax, etc., are examples of such special taxation.

Why Tax First Imposed

In the collection of automobile license fees and the gasoline tax, the Provincial Government takes the stand that highways are primarily of benefit to the automobile owner, and he should therefore be expected to foot the bill for the construction of any highways towards which the Government is granting financial assistance.

Considerable attention has been given in recent years to this question of automobile taxation, due to the tremendous growth of the automobile industry, which now ranks as the second largest industry in the United States, and which has become a very important factor in the affairs of the industrial world in Canada.

As a result of the deliberations which have taken place, three theories have been advanced, viz.:

Further Tax on Industry—Gas

1. No special taxation for motor vehicles. This theory holds that education, police and fire protection, etc., should be taken care of entirely by general taxation levied upon society as a whole, in accordance with the ability of its individual members to pay, and not with reference to the amount and intensity of the use and benefits which any one of such individuals owning motor vehicles may obtain from operating them on improved highways. In other words, special levies on the motor vehicles are regarded as uneconomic and unfair.

2. Special taxation of the motor vehicle to pay everything. The second theory goes to the other extreme, and insists that society as a whole should not in any way be subjected to taxation for the construction and maintenance of improved highways on the ground that the performance of this government function results exclusively in benefiting the motor vehicle and user. The theory holds that the motor vehicle owner and uses should pay special taxes to cover the entire burden.

3. General taxation for construction, special taxation of the motor vehicle for maintenance. This theory, which is steadily gaining ground, holds that society as a whole, including owners and non-owners of motor vehicles, should pay general taxes for the construction of improved highways, but that motor vehicle owners and users, as a separate and distinct class, should be called upon to pay special taxes for the maintenance of such improved highways.

All money derived from such taxation should be placed to the credit of the Provincial Good Roads Board and used for the purpose of carrying on the maintenance of provincial highways which are of value to the transportation system of the province as a whole.

What Manitoba is Doing With It

No matter what form of motor taxation any province may adopt,

whether annual registration fees based on the wheelbase of the car, as in the case of Manitoba, plus a gasoline tax, the total collect from the motorist in any one year should not be more than to meet:

1. The administration of the automobile license department.
2. The cost of maintenance of the improved highways of the province.

In the final summing up of the question, it may be as well to consider what taxation has been imposed upon the motorist before he is taken in hand by the Provincial Government, and the attached table will show this in a more concise manner than in any other way. Taking any car, the factory cost of which in the United States is \$1,500.00, we find that when the Canadian Government has collected its taxes, we have the following:

Factory cost of car	\$1,500.00
Plus United States War Tax	75.00
	<hr/>
	\$1,575.00
(Canadian Customs Duty, 35%	551.25
	<hr/>
	\$2,126.25
Plus 5% Sales Tax	106.30
	<hr/>
	\$2,232.55
Plus 5% Excise Tax up to \$1,200.....	60.00
Plus 10% Excise Tax over \$1,200.....	103.25
	<hr/>
	\$2,395.80

Making a total equal to practically 60% of the original value of the car, to which must be added the cost of freight from the port of entry in Canada to the place of abode of the ultimate purchaser.

To graphically illustrate the difference in cost of the automobile to the consumer in the United States and the consumer in Canada, the following table, showing the cost of several well known makes of cars at three different points, is given:

	Retail Price at Detroit	Walker- ville or Toronto	At Winnipeg
Ford Sedan, four-door	\$580.00	\$895.00	\$1,040.00
Ford Touring	\$375.00	\$572.00	\$622.00
Chevrolet Touring	\$510.00	\$786.00	\$910.00
Chevrolet Sedan	\$795.00	\$1,230.00	\$1,365.00
Hudson Coach	\$1,345.00	\$2,056.00	\$2,175.00
Chandler	\$2,195.00		\$3,200.00
Studebaker Spec. Sedan	\$2,150.00	\$2,925.00	\$3,250.00

It is therefore evident that the motorist pays a very large sum of money for the privilege of owning a car, and continues to pay right along, as every accessory, tire, oil, gas, etc., is taxed and is necessary

for the operation, and upkeep of the car.

Note.—By compounding the taxation or taxing the tax, as is done by the Federal Government, \$130.80 is added to the cost of the car, being the difference if each tax was charged on the original value instead of the amount, with the previous tax added in each case.

Mr. D. G. Mackenzie: Of course, Mr. Emmett, you must take into consideration that our municipalities to-day are in difficulties owing to expenditure on road construction.

Mr. Emmett: The present system of road building in the province of Manitoba is uneconomical in the very widest extent.

The matter was held over till Friday, the 20th, and the meeting adjourned at 10.45 p.m. to meet at 10 o'clock the following morning.

FRIDAY MORNING, FEBRUARY 20th, at 10 o'clock

Mr. Glen: The first paper this morning will be given by Mr. E. K. Marshall on "Taxation in Relation to Education."

Mr. Marshall said: The subject I am dealing with this morning is a very broad one. I cannot hope to cover much of the field, but I hope there will be profitable discussion to follow.

TAXATION AND EDUCATION

When we link these two words it does not mean that our object will be the reduction of taxation rates at the cost of the education of little boys and girls, whether in our own home or the home of our neighbor. It does mean that we should consider the two in order that the burden of taxation may be somewhat lightened or more evenly distributed, whilst at the same time we give to the children of our land the advantages of a good education.

The present perplexities of the world are not going to be removed in a few years, but many serious questions and heavy burdens are inevitably going to pass on to the boys and girls of today when they grow up. We can discuss the relationship of taxation and education, surely, without losing sight of this. No section of the community, I take it, is more anxious to see that a sound primary education is afforded every boy and girl in Manitoba, whether they live in isolated communities, on soldiers' settlement lands, or in the City of Winnipeg, than the members of this Conference.

Regardless of the past, the school of today must be organized to satisfy present social needs. I am sure that it is not doing this to the fullest extent desirable, and I am just as sure that in no other part of the world is it doing it better. What we must be prepared for is progressive change, always aiming at the highest efficiency possible with our financial resources. It must be remembered that changes in school programmes and organization are of necessity slow of development, but there should be no stagnation. School systems must satisfy the needs of the present social and industrial life.

Originally the school was organized as a transmitter of culture,

and was at first largely under the direction of the church. Adjustments to the changing conceptions of life and the needs of the times followed, and gradually the schools became what they are today—state and community services.

Given this secular direction, different types of schools developed to meet the various needs of the community, and when the public school failed to meet these needs, real or fancied, then private, and then later on, public vocational schools, were developed as an attempt at adjustment for preparation for life's duties. Consequently the school programme was broadened, took on more of the work of church and home, and industry, and departed from the old three R's. This is in line with the changes in every department of life, industrial, political, etc. One branch cannot stand still whilst other phases of human activity expand and reveal new fields. When we departed from the paths of our forefathers in industrial things, it was inevitable that church and school, which concern the spiritual and mental life of the people, should be subject to change and reorganization, resulting in greater complexity.

Each province of Canada has developed its own system of education and has organized along its own special lines. It is true, however, that certain groups of provinces have much in common, both in the matter of administration and in the matter of programme. For example, the four Western provinces are a unit on very much. Similarly, there is a Canadian element running through the whole educational service of Canada. This Canadian element, this common factor or common requirement, leads us to believe that here is where there should be an educational grant on the part of the Dominion. It is true that the British North America Act is opposed to this, and there are other difficulties; nevertheless, greater difficulties than this have been solved when a just principle is at the basis. In my judgment a flat rate grant of, say, one dollar per head should be made by the Dominion Government to each and every pupil attending the public schools for 120 days in the year. Many communities and provinces are doing a work that is obviously the work of the Dominion. If there are difficulties they can be solved. It is a question primarily of justice and right.

A fundamental problem in the relationship of taxation and education is that of "Provincial versus Local Control." Among many American States a conflict is in progress between these two ideas. For example, in New York we have a highly unified system, in which the absolute authority of the State in educational matters is almost unquestioned. This is the result of a century of development. Whilst the final absolute authority of the State is now almost universally recognized, the actual problem of a balance between central and local control remains in many of its phases. Owing to pressing financial needs there has recently been in Manitoba a steady drift towards central or provincial control and support.

Here are some of the advantages of Provincial and Municipal Board Control:

1. There usually follows superior leadership.
2. The standard of requirement is higher.
3. The support, financial, is better, surer and more dependable.
4. As a rule there is an improvement in the quality of teacher employed by the larger unit.

Here are some of the disadvantages:

1. The local initiative of progressive communities will be limited.
2. There is danger that excessive machinery and bureaucracy may hinder making the school a true centre of community life.
3. Professional selfishness may be encouraged.
4. Special legislation by interested parties might be encouraged.

It is true, however, that recourse to higher authority is sometimes the only way in which it is possible to secure improvements and even ordinary support which local people may be unwilling to provide, but which should be provided for the youth of that particular community. In the adjustment between local and central control these two principles must be observed:

1. The State should prescribe the minimum standards.
2. Local boards should be free to meet local needs.

Whilst it is obviously difficult for a central body to fix any definite flat rate of taxation to meet the needs and capacity of every community, it is necessary to fix certain minimal standards to ensure proper maintenance of schools, and consequently a minimal income for school expenditure.

The evils are to be avoided in determining the relation of taxation to education:

1. There is a danger of other local interests consuming too much of local income at the expense of the schools. That is, certain improvements or developments may be undertaken which later on prove to be expensive, if not ruinous investments. These commitments may prejudice the carrying on of even ordinary primary education. The education of our boys and girls should not be threatened by the outcome of our wild-cat development schemes. It is for this reason that I advocate that the basis of taxation for and control of primary education should be broadened.

2. The second danger is giving schools an excessive proportion of public money. There is no doubt that occasionally buildings have been erected far beyond the reasonable requirements of the community. When readjustment and hard times come, our schools suffer. It should be said here, however, that these very investments were made by and with the consent of the people themselves. It is not fair that our former misjudgments should affect the school-

ing of the children of today. And yet such is the case.

A middle course should assure our school boards of reasonable and adequate independence without making them free from the limitations of the community. If people have little to say in regard to the expenditure for schools, then there is lost a powerful incentive to active interest in education; but if the people of each community has all control, then the schools may be crippled by spending as little as possible. The solution in general lies in the required uniformity in minimal essentials controlled by larger units of administration, leaving the non-essentials to local initiative and control.

Now, what is the school situation in Manitoba today? Here is a table of the assets and liabilities of the whole educational system of Manitoba:

Assets—

Grants earned	\$ 178,791
Cash	713,527
Taxes unpaid	4,341,846
Schoolhouses	19,273,305
Sinking funds	1,545,393
Securities	251,816
	<hr/> \$26,304,678

Liabilities—

Salaries unpaid	\$ 28,099
Promissory notes	4,022,724
Debenture debts	13,687,574
Interest on debenture debts	275,213
Sundries	49,680
Overdrafts	25,787
Accounts payable	51,590
Transportation	6,531
	<hr/> 18,147,198

Surplus \$ 8,157,480

Here is our expenditure for 1924:

Teachers' salaries	\$ 4,849,712	or 42.9%
Buildings	726,385	6.5%
Water, fuel, etc.	410,680	3.6%
Repairs	624,455	5.6%
Secretary-treasurer	131,929	1.2%
Debenture debt	378,175	3.3%
Debenture interest	678,079	6.0%
Notes and overdrafts	2,364,476	21.0%
Libraries and supplies	230,360	1.9%
Sundries	889,642	8.0%

\$11,284,094

Our notes and overdrafts cost one-half of our teachers' salaries. If

on cash basis would save 21%.

Other figures are:

		Increase
Pupils enrolled	144,491	2,122
Pupils, I to VIII	131,615	2,049
Pupils, IX to XII	12,876 or 8%	73
Average attendance	103,775	4,988
Percentage	71.8%	2.4%

There are 1,851 school districts, 1,985 buildings and 3,867 rooms in operation—i.e., over 37 pupils per room for the province.

There are 118 intermediate schools, 43 high schools, 8 collegiate departments, 9 junior high schools and 11 collegiates.

In rural Manitoba there is on the average of one teacher to 120 people; in Winnipeg it is one to 214. We do not seem to have too many teachers. In rural Manitoba the average number of pupils per teacher is 31; in towns and villages, including high schools, it is 38; and in Winnipeg it is 41. There does not seem to be much waste here.

Turning now once more to the finance, we find that the municipalities are required by law to pay over to School Boards the **total** levies, whether collected or not. They, therefore, borrow. And the Boards again borrow against this. Hence we are paying double interest. When arrears accumulate, embarrassment spreads inevitably from municipality to school district. If our public expenditure was more centralized we certainly should save some interest. School money is not municipal funds; it is trust fund.

Again, I find that our average expenditure per pupil for the entire province is \$78. Particular districts go very much higher or lower, and secondary education much higher. Dr. Karr, Director of Rural School Organization, Ontario, has made a careful study of conditions there. In 177 rural schools the average cost per pupil was \$248; in 891 other schools, with an attendance of ten, it was \$155. It even went as high as \$265, in the county of Middlesex. He urges the use of centralized Township Boards in place of the antiquated system of school sections. By the way, the system of having small school sections was established in 1846.

The assessment per teacher varies from \$34,300 (at Birch River) to \$255,320 (at Winnipeg). The average for rural school is \$169,996, and for the province \$179,348.

Here is a typical school district:

Expenditure

Salary	\$1,000
Secretary-treasurer	35
Caretaker	75
Debentures	200
Fuel	100
Supplies	35
Repairs	100

Interest on notes	25
Miscellaneous	100

\$1,670

Receipts

Legislative grant	\$ 150
Municipal grant	720
District levy	800

\$1,670

A district with an assessment of \$40,000 would need a special rate of 20 mills to raise the special levy of \$800. If only half of the taxes are paid, a 40 mill rate would be needed. The same thing applies to the municipal portion of the grant of that district. Consequently, the unpaid taxes are the source of our troubles. If taxes are paid, rates go down; if not, those who do pay, pay their own and other people's pipers.

The municipality struggles with the duty of keeping the elementary school free and open, shares this obligation with the district, and has to furnish \$720 per teacher.

Educational expenditure, we say, should not, cannot go beyond the ability to pay. It is needless to ask why certain municipalities are in trouble. We must contrive means whereby the schools can operate efficiently and yet place the financial burden where it can be carried. In regard to secondary education, we wish to say this: Cramping opportunities of children today will lead inevitably to cramping of ability to pay later on in life.

Mr. Marshall said: I have two resolutions, Mr. Chairman, that I would like to submit to the Conference.

Prof. Murchie suggested that the resolutions be read, and Mr. Marshall read them, as follows:—

See Resolutions Nos. 6 and 9, page —.

Mr. Marshall: I will just say this, that it seems to me that a wider administrative unit will probably help us to eliminate some of the difficulties we have to face in the little school districts. We do not want to close up these, but at the same time I believe that a wider field of school administration would be an effective means of reducing schools costs and adding to school efficiency.

Mr. Whellams then made the following remarks in support of the first resolution:—

HOW EDUCATIONAL COSTS CAN BE REDUCED AND THE STANDARD MAINTAINED

Has not the cost of education crept upon us so insidiously, that in both city and country we are taking it for granted there is no possibility of reducing the amounts asked for, and at the same time meet the needs of education reasonably and efficiently? Are there not frills

attached to our school systems which are of no direct benefit to education, and which are provided at the public expense? Can these costs be reduced and the standard we now have be maintained, and has it been done?

In the year 1921 I received a tax bill for \$1,569.57 on 31 acres of land, the property being used exclusively for market garden purposes. An analysis of this bill showed that \$904.73 were for general school rates. The assessment was \$30.270, and the mill rate 26.4. The industry of the district being gardening, we saw such tax imposition meant the confiscation of our property, so a great effort was made to reduce the school tax. At this time the enrollment was 927 scholars for the school year from June, 1921, to July, 1922, the school levy was \$150,000, of which \$122,000 was spent in upkeep and maintenance, at a cost of \$110.00 per pupil, \$20,000 of the above levy being paid to the building fund, leaving a surplus of \$8,000. Our school year was now changed to correspond with the municipal year, so instead of financing for six months, we levied for two periods of nine months each. From July, 1922, to March, 1923, our levy was \$100,000, of which we had a surplus of \$13,000. The next levy was from 1st April, 1923, to December, 1923, of \$90,000, of which we saved \$21,000. We now had a surplus of \$42,000, notwithstanding the fact that the enrollment had increased from 927 pupils to 1,700. From January, 1924, to December, 1924—a full twelve months—our levy was \$70,000, the balance of the \$112,000 required being met by absorbing the surplus of the three preceding years.

At the end of December, 1924, we had saved \$500.00 of our \$70,000 levy and provided for an enrollment of 1,850 pupils. The next result of these three years operations being: We had reduced the cost of pupils per capita from \$110.00 to \$67.40, and had raised the standard of education by operating a high school.

The effect on the aforesaid tax bill was as follows: Assessments, \$34,270.00, with a school rate of 26.4 mills, \$904.73. While in 1924 the assessment had been reduced to \$25,380.00, with a mill rate of 13.1, the same property paying a school tax of \$332.48, its share of the cost of providing education for 1,850 pupils, whereas in the year 1921 it was called on to pay \$904.73 as its share of caring for 927.

It will very properly be asked how was it done and what were the

reductions made:	1920	1921	1922	1923	1924
Teachers' salaries	\$30,000	\$38,000	\$57,784	\$52,267	\$50,423.69
Fuel	8,500	8,600	12,000	6,500	7,200.00
School supplies	2,028	2,750	3,000	850	1,090.00
School furniture	4,042	5,500	1,383	1,286	1,190.00
Cleaning supplies	850	1,100	1,000	510	313.53
Transportation	350	311	200	250	75.00
High school fees	350	800	1,100	600
Repairs	2,500	2,000	1,100	3,100	2,028.00
Manual training	1,500	1,100	1,225	600
Gymnasium	1,080	586

The foregoing table is given from the year 1920, as it indicates the very sharp increase in teachers' salaries from that date. There will, I am sure, be no difference of opinion when I state that up to the year 1920 the remuneration paid was entirely inadequate for the services rendered; and the teachers, in order to protect themselves, organized the School Teachers' Federation of Manitoba. A schedule of wages was drawn up, and which every School Board in the province was expected to adhere to—the policy of the Association being, if possible, to have representatives on every School Board and Municipal Council in the province. Most of the suburban districts, as well as the City of Winnipeg, adopted the wage schedule, whether they were able or not, and considered themselves duty bound to accept its provisions.

We are constantly told that school costs cannot be reduced, and I submit that if this schedule of teachers' salaries, as now paid by the City of Winnipeg and other Boards, is insisted upon, the cost of education will soon become, if it has not already reached that stage where it has got beyond the ability of the people to pay for it. In the city, instructional services represent 54.91% of the school cost. It is therefore obvious that a saving might be made at this point. There are now employed in the city schools 939 principals and teachers, costing the city \$1,650,000—all of whom are guaranteed permanent employment, with a yearly increase of from fifty to two hundred dollars per year, with a minimum for primary grade teachers of \$1,200 per annum. To principals in a ten or fifteen-room school, starting with a minimum of \$2,400.00, with an annual increase of \$100.00 until a maximum of \$3,400.00 is reached. Men principals, sixteen-room schools, minimum \$3,500, with an annual increase of \$100.00 until they reach a maximum of \$3,800.00. Principals of high schools, starting with a minimum of \$4,000.00, with annual increase of \$200.00 until a maximum of \$5,000.00 is reached—and in addition a retiring allowance of \$800.00 per annum—the fund set up for the latter being jointly provided by the Board and teachers.

I submit, Mr. Chairman, that when such generous salaries as these are paid by the city and others who adhere to this schedule, there is no wonder that smaller and less wealthy communities find themselves unable to meet the cost of instruction. I have used the word "wealthy," but only in a qualifying sense; for in view of the following, no longer can that word be truthfully applied to any municipality or city in Manitoba. Municipal and school taxes have now become so burdensome that it is imperative, if we are to restore the equilibrium between revenue and expenditure, to reduce the costs of all public services and to deal with all matters on a strictly business basis.

How Costs Are Being Met

In reviewing the cost of education throughout the province we find that school taxes are responsible for from 36% to as high as 65% of the municipal tax rate; and in view of the possibility of cutting out a lot of unnecessary services without impairing the standard of education, let us see how the taxpayer is meeting the bill. The following

figures are presented to us in the last Municipal Statistical Report, Manitoba Government, 1924:

Total school taxes imposed—\$7,513,785.97.

Total taxes imposed for all purposes—\$17,954,489.73.

Total arrears of taxes—\$15,446,883.09.

Of these amounts, Winnipeg and its suburbs are responsible for a very large portion. In Winnipeg the tax arrears on the 31st December, 1923, amounted to \$5,608,583, against a total levy of \$9,794,477; and on the 31st of October, 1924, the arrears had increased to \$6,028,000. In the nine suburban municipalities around the city the tax arrears in 1923 were \$4,986,437, against a total tax levy of \$2,525,318; and in the Province of Manitoba as a whole the arrears at the close of 1923, inclusive of tax sales, were \$19,753,515.00, against a total levy of \$19,159,821.00.

These figures are most significant, bearing in mind that education is responsible for 35% to 65% of the total.

This situation is in no wise peculiar to the Western provinces, for we find the increased cost for the whole of the Dominion, for elementary and secondary education has risen from the year 1901 from \$11,750.00, till it has now reached the colossal figure of one hundred million dollars, or an increase of 850% during this period, while our population has only increased from 5,500,000 to 8,500,000, or 65%.

As business men seeking a solution of our financial difficulties, let us ask ourselves the question: Are we getting value for this huge outlay of the taxpayers' money? Education and its standard of usefulness should be measured by the increased usefulness it has in helping the future citizens of this country to **help themselves**. Is the output of the school of today, with all its additional frills and auxiliary services and added cost any more intelligent than that which graduated from the little Red School House, with its more simple standard of years ago? And if there is no such great improvement, how are we to justify this huge increase of cost, more especially when we have before us such incontrovertible evidence that the taxpayers can no longer meet the bill? It would seem as if very little thought is being given to this side of the question, as from figures published recently the auxiliary services connected with the school administration of the City of Winnipeg increased from the year 1917 to 1921 from \$202,911.09 to \$515,194.41.

Speaking of where are our schools leading us, Mr. C. J. Yorath, City Commissioner of Edmonton, a man well-known as a financial physician says: "Surely the strongest advocate for maintaining the present standard of education will realize that unless the basis of obtaining revenue to finance its cost is changed, the whole fabric is bound to collapse." We have expanded our system of education, increased and broadened the subjects of study, extended the principle of free elementary and high school education, adopted all the frills which have been advocated and suggested from time to time, regardless of whether our system of financing was adequate or not. The conclusion is that unless the State comes to the rescue, our entire educational system is bound to

fall by the wayside, owing to the unbearable expenses entailed.

Many supporters of the present system tell us that while we are meeting with difficulties now, their solution will be found in increased population. This, in my opinion, is a fallacy, and I base that statement upon the following experience. In a census taken three years ago it was found that taking a suburban district as a whole, that there was one pupil to every house in the district. The average school tax levied upon each house was \$12.90. The cost per capita that year was \$2.44, so that the vacant land was taxed to make up a deficit of \$59.54 for every child attending school in the municipality. But, says the advocate of a continuance of the present system, if all your subdivisions were built up the cost would be distributed over a greater number and the tax would not be felt. Let us see. In the same district the year previous a census of the school population was taken on a street on which every lot was built upon. The cost per pupil was \$8.40 this year. The school taxes levied \$3,200 on the whole street, the number of pupils 149, making a total cost of \$12,600. Here we have a fully settled street, and although it is paying its full quota of school tax levied, we find the vacant farm lands of the municipality called on to make up a deficit on this one street of \$9,216.00, which surely is sufficient proof that the present unfair system of making the land pay for education is both inequitable and an economic impossibility, and that an increase in population will not only not benefit, but aggravate the present situation. The only permanent remedy is not in finding other sources of revenue, but by an entire reorganization of all government services and a radical reduction in expenditures.

(2) A determined effort on the part of all governments to live within their means; recognizing the ability of the people to pay for the services rendered.

(3) In view of the substantial advance in wages and salaries made since 1919 as a commencement for a uniform reduction every governing body throughout the province should unanimously decide to make a reduction of at least 10 per cent in all wages and salaries from the highest to the lowest except those earning \$125.00 per month or less.

(4) A complete revision of the services given to our people under the guise of education. Mr. Yorath tells us that even the British Isles cannot afford our system, having always adopted the policy that higher education was only for those who were able to assimilate the higher studies. Those who were selected for public leadership by outstanding ability even for these it was never free, but a cost is charged.

(5) The appointment of a Municipal Commission or Board which could effectively guard the municipalities from rashly undertaking financial obligations quite beyond their immediate or prospective capacity for repayment without too great a strain upon the private resources of the citizens.

In conclusion, I wish to quote from the Report of the Carnegie

Foundations for the Advancement of Teaching and the following seems to be the only one applicable to the situation in Canada.

"The ability of the public to support expensive forms of education in this country is not so great as it is in the United States. It is necessary today that those in charge of our agencies of education should realize that the generous support of the American public, the days are here when education must reckon with economic necessity."

H.C. WHELLAMS, ¹⁹¹¹ M
Winnipeg Taxpayers' Association.

Professor Murchie: I would like to speak to Mr. Marshall's resolution, and I would like also to counteract, if possible, some of the effect that Mr. Whellams may have had in talking about the increased cost and mills and turberlows that modern education has introduced. I am not going to speak about the city and suburban municipalities—I don't know enough about them. The situation that I have investigated is the situation in rural Manitoba, and I want to place as my thesis that we are not paying much in proportion to what they used to pay in the good old times that Mr. Whellams and others referred to in the time of the little red schoolhouse. I have here figures from a large number of municipalities, going back as far as I can get.

(Mr. Murchie here read a comparative statement of the taxes paid in the various municipalities from 1917.)

Mr. Whellams: I don't think it is fair. Mr. Murchie is comparing the school taxes along with every other tax. Mr. Murchie, you are taking road tax, etc., as against one individual item of school tax.

Mr. Murchie: No, I am trying to show what in the earlier days we paid much larger school taxes. I choose these figures at random—they were not selected—and I still maintain it is a fair comparison. We are not paying the same proportion of our taxes for education. There are two cases out of over 50 which I have here, where school tax has increased in proportion to the total tax. The claim that I make, and I think if you would only listen to it, I could justify it, is that if there is to be reduction of taxation let it be from education only in proportion as you reduce the cost of other public services. Why ask for increased expenditure on this and the other thing, and in the same voice deplore the increased cost of education?

Mr. Fraser: Will you allow me to call the attention of the meeting to the necessity for more effective control of our capital expenditures. I attended a meeting of the National Tax Association of America in Minneapolis in 1922. We devoted ourselves to the question of more effective control by taxpayers. We had evidence from all over the States to show that the control by referendum was quite inadequate. In the state of Indiana, for example, taxpayers can appeal to the decision of the Tax Board on any proposed expenditure. A very large amount of the cost of education is due to the capital expenditures on palatial school buildings which do not turn out any better pupils and are no more effective than more modest structures. In Indiana, they have adopted a

method by which they have effected a reduction of the taxation of the state by the various taxation units to the extent of \$21,000,000 in two years.

Mr. Glen: You are now dealing, Mr. Fraser, with something arising out of Mr. Whellams' paper. You must adhere to the amendment.

Mr. Hunt: We want to get some estimate of how you propose to reduce the cost by enlarging the territory. Explain that, please.

Mr. Iverach: I think that possibly the chairman may think I can speak with authority on this subject. In the Municipality of Miniota we are operating under this Municipal School Board system, and the reeve is here and can bear me out that we have reduced the expenditure there from over 26 down to a little fraction over 13, and at the same time we have increased the efficiency, enlarged the staff and increased the high school population. There are several ways. One was of closing some of the schools, with the consent of the people living round these schools. I don't know that I wish to say any more, Mr. Chairman. I would recommend to those here a close perusal of the Murray Commission's remarks on the municipal school board. They have made a close examination of the subject. It can be done under a larger unit, and can not be done when operating the single isolated units.

A voice: Was there any change in your assessment?

Mr. Mitchell: Our assessment remained practically the same. We find the people very well satisfied, and are giving better education in this way, that when a child finished up to grade 8 it was previously necessary for him to leave the municipality to go to college. Under the municipality we are taking them through grade 11. We are well satisfied with it in Miniota.

Mr. Frank Martin: It seems to me that Mr. Marshall's resolution is a trifle ambiguous. It would seem to me that he wants to increase the whole financial burden. I am in favour of increasing our educational facilities if it is not going to increase our expenditure. I feel that it is an ambiguous resolution.

Mr. Glen: If I may be permitted to interest myself in this particular resolution, it seems to me that there is some explanation due this Conference as to the facts. At the present time we have on the statute books of Manitoba a statute whereby they have certain powers given to them under the Municipal School Board whereby a general levy is made from the whole of the municipality, which goes towards the cost of that municipal school. Two representatives on this board have the power of helping schools where they find it necessary. Take the Municipal School Board, such as Miniota, which is the only municipality in the province to have this municipal board. They have their own high schools. In these high schools they instruct all the pupils of their municipality. In the first instance the expense was considerable. But as is borne out in the Murray Commission's report, they are providing education in Miniota

at less than is charged in other rural schools in Canada. The proposal you have before you now is whether the enlargement of administration is going to give that increased efficiency desired in rural parts of the province, and whether it can be coupled with reduced expenditure. Mr. Iverach has said so, the reeve has said so.

Mr. Fox-Decent: I am going to ask whether this phase of the subject could not be pursued further, and make education a Dominion charge. You can go to any country in the world and you will find it is either provincial, dominion or city charge. Here in Canada you are enlarging your scope of administration. It appears to me that it would be in the best interests of this province that some recommendation be made to ask the Provincial Government to take steps to take over the whole course of education in this province.

Mr. D. D. MacDonald: The matter of enlargement of the school unit for the purpose of administration is one that is not, while comparatively new to us, new at large. Not only is it not new, but it is one in actual practice. The people in Manitoba have been giving effect to it spasmodically and in some cases continuously, and only in one out of 50 cases have we succeeded in establishing it. I once made a brief survey of a certain rural municipality with a view to getting something on the question of taxation of schools. In that rural municipality there were, I think, thirty odd one-room schools. I sought to find their origin, and I found that they were a relic carried forward from the days of the formation of the small School Districts. As a rule they preceded the formation of a municipal unit, consequently the school districts were carried into the larger unit and allowed to remain with their ever-changing boundaries, and that is how the controversy has arisen. Take the situation in this municipality where I made the brief survey mentioned and found two half-sections where the facilities for the pupils were the same, and yet I found one paying a special school levy of seven mills on the dollar, the one across the road paying a special levy of fifty mills on the dollar for the same service. This burden should be equalized. My own conviction is that by enlarging the unit of administration much could be effected. I would go further than my good friend Mr. Iverach, and in addition to placing these School Districts under one administration (I have some men with me in the Province, and I have given some thought to the civic as well as educational effects, of that larger unit,) I think it would be well if the two elements were brought together. The spending body with no authority to raise revenue—the collecting body with no control over expenditure. It would help to remove some of that element which today in some quarters exists.

Mr. Hamilton: I want some information as to these. As I understand it the first resolution is seeking the enlargement of districts for administrative purposes and in the second it is sought to equalise the whole of the assessment in the Rural Municipalities throughout the Province. To my mind either the first resolution does not go far

enough or the second resolution goes too far. There should be some method of dealing with these resolutions to bring them into harmony.

Mr. Hunt then moved the following amendment to the Resolution:

The resolution as amended was then read to the conference by the Chairman, and on the question being put the motion passed.

The Second Resolution was then read, as follows:

Mr. Macdonald: I am somewhat at a loss to reconcile the proposed levy as a substitute for the present general school levy, with the resolution. At the present time the general municipal school levy is \$720 per year per room, is it not? Levied by the Municipal Council. This proposes \$600 per year per room, but to be raised in another manner. I want to raise the point because I am in doubt as to whether our resolution will give effect to the intention behind the levy. As I understand it, it was this: that if we take all the rural areas and levy $3\frac{1}{2}$ mills on the equalised assessment of all the rural lands it will produce sufficient to allow a contribution of \$600 per room to the school, but I want to point out that if that is done in certain Municipalities the equalised assessment is not sufficiently large in these Municipalities to produce an amount that will give the school within that Municipality \$600 per room per year. That levy in certain Municipalities will produce more than is required in these and the excess will be carried to the Municipalities that are weaker than these in assessment and consequently require more money. If it does not, I don't see the effect of the equalization, and I fear that our resolution does not bear out that point.

Mr. Fox-Decent: Mr. Chairman, I submit that the present method of raising revenue is altogether wrong. I submit that education, being a community, Provincial and National service and benefit should be contributed to by a levy over all the people, not on the land alone. And I am going to move an amendment to the resolution as put to the effect that the Provincial Government be approached with a view to having the cost of education taken over by the Province and the proceeds of the Provincial Income Tax used for that purpose—we are not advocating any increased taxation. We think that the present Provincial Income Tax should be used for educational purposes, and that if it is not sufficient it should be supplemented from other provincial levies.

Mr. Glen: It seems to me that you are against the resolution. I think your proper procedure in that case would be to draft another resolution and have it come up later.

Mr. Glen then went into the resolution further.

Mr. Whellams: We are simply taking the burden from the weak districts and adding it to the stronger districts and in that way relieving the Province. To-day the Province is taking care of these.

Professor Clark: The gentleman here raised the question of Provincial responsibility for education. I agree—I hold also that the Dominion should be liable. But by this resolution we are bound to approve or disapprove a measure which we think would be a measure of amelioration, but is not a satisfactory resolution. I very strongly

approve of what the gentleman (Mr. Fox-Decent) said re the Province being responsible for the provision of funds for education. I can not go so far as he has gone and say that the Province should be held entirely responsible, because that would destroy the sense of local interest. I hold that the Province should be called upon as a whole to provide a much larger portion than it at present does, and that the Dominion should be called upon to support a very considerable extent the higher education. That would mean that the fund would have to be levied on quite a different basis than at present. I do not think it is equitable that real property owners should be called upon to bear all the cost of education. We all benefit—the people of the Province and the Dominion, and it follows that if we all benefit we ought all to contribute in proportion to our ability to pay. The basis should be the general earning capacity of the people. I do not agree with this gentleman's statement that any particular tax should be "ear-marked" for this or that particular purpose. The policy of ear-marking funds for certain services is an old worn-out policy—and has been discarded—or is being discarded by progressive countries. It used to be a habit in England. You may get from your tax more than can be spent on that particular service or less. It leads to waste. I think the funds should be so spent that there will be a margin. That is the ideal to be aimed at—in the expenditure of funds.

Mr. Glen: Apparently the conference is in favour of passing the resolution as an act of amelioration. I would suggest that we add that recommendation be made to the Provincial Government by the conference that the cost of education should be taken over, if not wholly, partially by the Provincial Government, with special reference to primary education.

Professor Clark: We feel that raising the cost of education from the land is inequitable and that some other means should be adopted.

Mr. Glen: And that this conference does not look on this as a remedy but as an amelioration of present conditions.

Lt.-Col. J. A. Aikin then read a paper on "Fields of Taxation in Canada." Col. Aikin said as follows:

THE FIELD OF TAXATION IN CANADA

As Occupied by the Federal, Provincial and Municipal Taxing Powers

(By Lt.-Col. J. A. Aikin)

Custom and precedent, growing out of expediency as applied to the development of this country, have led to occupation of certain portions of the field of taxation in Canada. The Constitutional Act of Union, 1867, limited somewhat more definitely the direction and form of the Federal and provincial authority. Prior to the Great War there was an accepted arrangement, but during the past decade the steady pressure for more revenue led to imposition of an income tax by the Federal and three provincial governments. (Note 1.) This source was also tapped by a few cities. The Western provinces have also invaded

municipal field of taxation on real property, primarily for patriotic purposes, and have not yet released their hold. For the fiscal year ending August 31st, 1923, the municipal commissioner's levy in Manitoba amounted to \$1,434,672, and for the year ending August 31st, 1924, it was \$1,345,312.

The amount collected from the taxpayers of Winnipeg for the provincial levy was \$639,030 in 1922, \$643,993 in 1923, and \$605,466 in 1924. This invasion of the municipal field cannot be justified by conditions or on principle. The amount taken proves to be a burden on owners of real property, which makes the provincial government a partner in the confiscation of real property which has proceeded largely because of the high taxation under which the municipalities have been laboring.

It is urged that taxation is not so high in Winnipeg as in some cities south of the line with a quarter million population. In any comparison it is important to know the relative production capacity and community income. In Montreal the general rate has been held at 13½ mills, plus school rate, which runs from 6 to 8 mills. In 1912 the rate in Winnipeg was 12 mills, and in 1920 it was 22.5 mills. In 1922 it jumped to 30.5 mills, but for 1924 it was 28.5. If the provincial levy of two mills were discontinued the city could, with further economy, get back to a rate of 25 mills and ease up the assessment, which at present is far too high. A reform like this would enable taxpayers to hold on, would help to restore values on real property, and give the city a new start at this time, when a push is needed. No account is taken in these figures of the 6.61 mill rate on land in Winnipeg for maintenance of the waterworks system.

Associated with this reform in assessment there should be recognition of the principle that rental income should determine assessment basis quite as much as capital value. According to Seligman, income is the measure of wealth.

Returns from the Municipal Commissioner's office show that at the end of 1923 the municipalities of the province had taken over \$15,446,883 in rental property for unpaid taxes. By the same returns and on the same date Winnipeg was holding \$5,257,382 for unpaid taxes. The city returns show that at the end of 1924 property held for unpaid taxes amounted to \$5,194,000, in addition to which title had been taken for \$575,000.

Section 91, clause 3, of the B.N.A. Act, 1867, gives exclusive authority to the Parliament of Canada for raising money by any mode or system of taxation, and section 121 provides for free trade between the provinces in all articles which are the growth, produce or manufacture of anyone of the provinces. These sections provide a mandate to the

Note 1.—Prior to 1920 British Columbia had the distinction of being the only province levying an income tax. It was first imposed in 1897. The British Columbia real estate tax dates back to 1876.

Federal authority for indirect as well as direct taxation, which suggests that a larger portion of the growing expenditure for the general and social welfare of the local communities should be carried by the revenue available to the Federal treasury, and under control of the Parliament of Canada.

The Federal Government had no difficulty prior to the war in raising needed revenue by indirect taxation, and while proposals were made in Parliament by free traders to levy a tax on land in lieu of the customs tariff, no action in that direction was ever considered. The Federal Government adhered faithfully to the policy of indirect taxation. War and post-war necessity led to the imposition of direct tax on incomes and profits, which did not invade a field occupied and was within the legal rights of the Parliament of Canada.

Section 92 of the B.N.A. Act gives the provinces the right to levy direct taxation for provincial purposes, but the wisdom of doing so may be questioned. There is also the right of revenue from licenses of all kinds, which in the matter of liquor control and automobile regulation amount to large sums. If the Federal subsidy of 80 cents per head of the population were increased to \$3.00 per capita, the nation would then be sharing in the burden of local services, which would reduce the onerous burden now being carried by the provinces and municipalities.

The municipality is a department of the province, and any tax imposed by provincial authority is within its right, so long as it is not an indirect tax which invades the Federal field. The Grain Future tax, already declared ultra vires by unanimous decision of the Supreme Court of Canada, is manifestly an indirect tax on trade, and as such appealed to the Western provinces.

The taxation of the Province of Manitoba for 1923 amounted to \$84.23 per capita. Taking the total Federal revenue for the fiscal year ending March 31, 1924, at \$394,614,900, as given in the official returns, it works out this way:

Manitoba's proportion Federal revenue	\$28,494,000
Municipal levy for province. 1923	17,954,489
Provincial revenue. less Federal subsidy.....	8,302,564

\$54,750,053

It is unquestionable that Western people contribute a full share of the Federal taxes levied indirectly. The municipal levy of \$17,954,489 for 1923 compares with \$19,302,894 for 1922. These returns were prepared in the Municipal Commissioner's office from municipal reports. The point is that the municipal burden is too heavy and calls for relief. Any comparison of the taxes collected in Manitoba with the total income from production will indicate the margin over the aggregate of taxes is too narrow for healthy progress. The obvious and imperative duty of all public bodies exercising the taxing power is to cut down expenditures and lighten the pressure for revenue on the taxpayer.

There was a conference at Ottawa a few weeks ago, at which the Federal and provincial heads held a preliminary discussion of the taxation field, with a view to adjustment and, it was all too apparent, to find new ways of increasing revenue, if possible, without adding to the local burdens of the taxpayer. The meeting did not accomplish anything tangible, and adjourned to permit all to take a fresh survey of the situation. There was more concern manifested to increase revenue than to reduce expenditure. It is certain that in any readjustment there must be an undertaking all round that a policy of rigid economy will be followed by all concerned—Federal, provincial and municipal taxing bodies—else the later situation might be worse than the present, with the very limited powers of the local bodies and a host of inexperienced men in control.

Fixed Policy of Revenue Control

In recent years Federal revenue from direct taxation has amounted to about 15 per cent. of the total receipts, which is the same as saying that more than three-fourths of the revenue is derived from indirect taxation. So that while the tariff and indirect taxes may continue to be the subject for fruitful discussion in political circles, the financial policy of the country is anchored to a revenue tariff. It should be in order, therefore, that the entire question of Federal and national taxation should be under advisement of taxation experts, whose findings and recommendations would always be subject to the ministry of the day and to Parliament.

The growth of the central national authority in Canada is unmistakably plain in politics and in the courts, the Imperial Privy Council to the contrary. The provinces of Canada retain more of their original initiative than is the case with the States in the American Union. The economic problems of the provinces will be greatly aided to a solution by larger financial assistance from the national treasury. The grouching of the Prairie Provinces and of the Maritime Provinces, east and west coasts, is a passing phase, even though there are some very real problems to be solved.

Reflex Influence of the United States

Faced with a lower income tax policy in the United States, it is imperative that no further taxes of that kind be added in Canada. The cost of living is lower in Canada than in the United States, notwithstanding tariff and excise taxes, by reason of lower freight rates, lower production costs of a number of the essentials of life, and to the fact that corporations in Canada are not so well organized and do not exercise so tight control on the markets and over public utilities as they do in the United States.

Andrew Mellon has been at work on a campaign for a 25 per cent. reduction of income and excess taxes and for removal of other war taxes. In his opinion the high surtaxes work to destroy business initiative and should be reduced as stated, especially on the higher incomes, where the progressive tax arrangement takes a heavy toll.

On this point Daniel Guggenheim says: "Under the present plan of taxation the business man must assume the burden of all losses, whereas the government through taxes takes so large a share of the profits that in a business such as mining, involving great risks of loss, the possible net return—under existing laws—does not warrant taking the chances involved." How far the rising values of a mine property should be regarded as income or capital, and to what extent capital losses and gains should affect taxation, are questions which the income tax staffs at Washington and Ottawa have plenty to learn about.

Rights of Capital to Returns on Investments

In a country like Canada, where development depends largely upon foreign capital, it is quite in harmony with the best example that we shall become used to the idea that capital may make large profits sometimes out of new enterprises, out of lands or mining, to encourage investors to overcome the losses which, as has been seen in recent years, may amount to large sums. It is true that much money was made on land in Winnipeg and in Western Canada between 1900 and 1912, but in any survey of taxation it is well to recollect that since 1912 investors in land, most of whom are not speculators in the ordinary sense of the word, have lost heavily through decline in values and rise in taxation, a combination which has meant a serious reverse to many who were unprepared with the necessary reserves to protect their investments.

It is interesting to note just here that a Royal Commission on taxation in New Zealand, where land taxation was regarded by many as the economic panacea, has reported in favor of abolition of taxation on land and real property, and recommends treatment of income from real property in the same way as income from any other investment.

Three Main Sources of Taxation

It is recognized there are three main sources of taxation in Canada: (1) Indirect taxes, customs, excise, inland revenue and special war taxes; (2) income tax; (3) taxation on real property. The tax on corporations yields more than 10 per cent. of the revenue of this province, and the revenue from inheritance tax, liquor control, from automobiles and gasoline, and from amusements, are important contributors. But the main sources are as stated; the others are incidental and aids.

The first, indirect taxation, is the most productive and promising for the future. In the light of all available on the situation the time has come when, because of the rising expenditure for general public welfare the Federal power should have a larger share in carrying the tax burden associated with the general welfare.

We have come into a day when it is recognized that it is not enough to persuade men and women to come into our country; it is accepted as an associated duty that colonization shall be carried beyond that stage. Why, then, should not the Federal authority assume the right and duty to continue colonization by aiding the provincial gov-

ernments to look after the welfare of the settlers? A large portion of the cost for upkeep of education, and which must be maintained, is in the thinly settled portions of the Western provinces. Education is one phase of public welfare which has a distinctly national quality and relation. Why, then, should not the nation have a share in the service? Control of education would continue, as at present, under the provinces and, as in the case of good roads and other matters, like agriculture, where there is co-operation, the national exchequer should have a larger share in promotion of public welfare.

A Wider Diffusion of Taxes

Education in all its manifold and worthy efforts, aid given to improve agriculture, to promote health and prevent accidents, and to provide for recreation and pleasure for the masses—these expenditures for the social and general welfare are worthy of being paid for by a wider diffusion of taxes somewhat in relation to the benefits received.

On this point Professor Richard T. Ely writes: "What can be done to promote the general interest with a survival of growing prosperity depends upon intellectual enlightenment and the moral sense of the great mass of the people. Many things which would promote prosperity we cannot do now because ignorance, prejudice, class feeling, phrases and popular clamor stand in the way of true progressive measures."

Professor T. S. Adams illustrates this: "The income tax now fails to reach the majority of the people, who nevertheless have some real capacity to pay as is revealed by enormous consumption of semi-luxuries. This fund of taxable capacity I would tax with a number of consumption taxes, both import duties and excises, capable of clear definition and successful administration, such as tobacco, sugar, tea, coffee, chocolate, rubber and gasoline. Such articles should be selected, not because their consumption is harmful—I believe in the necessity of luxuries—but because they represent effective and convenient points at which to tap the taxable surplus of the consumer."

All this has a relation to what may be termed the social value of taxation. For Professor Ely the taxation of land has become quite as much a social problem as a fiscal measure. The larger number of citizens who are home owners, the greater will become the direct interest of that number in the public affairs of the community, and the more stable will be the political life and economic security of the State. This applies to rural and urban communities alike, for it is well known that the rural land-owning class is the most important to any State particularly one like Canada, which has a large unoccupied area of good arable land waiting for settlers.

It is of equal importance in this day of growing centres that there be an ever larger number of home owners. To quote Professor Ely again: "All our public policies should be framed with this in view; in other words, it should be made as desirable an investment as possible for the home builder. We must make our country more and more a nation of home owners."

To accomplish this end it is essential that the tax burdens put upon the land shall not be so heavy as to discourage investments. It is true that land is the poor man's rather than the rich man's investment. It is something tangible, a man can see it, walk on it, live on it, and exercise judgment as to its value and desirability. There is an attraction in construction for rich and poor. Professor Ely dug up what George Tucker, of Virginia, wrote in 1859 in his "Political Economy for the People." "It may be remarked that land, including lots and houses in town, yield less than the average profits of capital, partly on account of greater security of the capital and partly because being visible to all and appreciated by all, they confer on the proprietor somewhat more of influence in society than personal property."

The search for a burdenless taxation, for an oil running fertility which will produce tax revenue without toil has under the guidance of mistaken theorists placed the question of taxation of land in a position not unlike religion with some. However, it is quite imperative to rid ones mind of prejudice in this connection as on any other question which partakes of social and economic importance. If men are to be encouraged in the purchase of land for homes they must be protected against social injustice and fraud in every form.

It is this security of the investment and its availability to the taxing powers which has made land the target for attention to an extent greater than is just and in the interests of the community. The notion that investment in land is profitable persists but it is contrary to fact. In certain periods men have made well out of speculation in land but on the whole the investors have not profited greatly in comparison with returns from other forms of investment.

A.J. Altmeyer, chief statistician for the Wisconsin Industrial Commission, made an inquiry in 1922 into the relative returns from investments in land and capital, which he reports in part as follows:

	Percentage taken		Proportion taken in Taxes
	on Investment Before Taxes	After Taxes	
4574 Wisconsin Rented farms in 1919	7.	5.7	18.
18 New York City block 1891-1821	8.	6.3	22.
All National Banks	15.4	12.1	21.
31,045 corporations, 1917	21.7	16.9	22.

This comparison of incomes or returns from investments is a fair indication of the general application of facts in the case. "Kings Wealth and Income of the People of the United States" shows that the proportionate share of rent in the national income of the United States remained practically stationery from 1850 to 1910. The chief point to be observed is that house rents did not rise as rapidly as wholesale prices or hourly wages. "It is probably correct to say that land rents comprise a relatively smaller share of the national income in 1920 than in 1910," Prof. King writes.

Because land rents have increased more slowly than public expenditure, land is seen to be an unequal tax base. In a period of rising prices land is relatively slower to rise. It is also true that in a period of falling prices land is slower to fall. As in Ricardos time it has a tendency to hold steady in larger communities, though that will not apply in newer communities like Western Canada urban centres after a boom such as was experienced from 1905 to 1912.

Professor King's return shows that in 1850 the percentage of total wealth in land in the United States was 59.8. In 1890 it was 35.1 and in 1920 it was 37.6.

According to the Dominion Bureau of Statistics the total wealth of Canada in 1920 at peak of prices was \$22,482,841,122. Farm values, including land, buildings, implements and livestock were estimated at \$6,592,351,789; Urban real property, including public utilities, \$5,944,000,000, a total of \$12,536,351,789. From which it would appear that approximately a third to a half of the wealth of Canada is in real property.

Heavy taxation on land tends to bring it into use to get a return to meet the obligations. This applies to both agricultural and town lands. This evil is accentuated when land is taxed on its capital or selling value rather than with regard to rental or income value. The observations made by Professor Robert Murray Haig, of Columbia University, regarding Vancouver in 1912 were that placing the main burden of taxation on land led to overmuch building and to crowding buildings on the small lots, with danger to health of the people.

It is more or less well known that in Great Britain the burden of taxation on the land has increased greatly in the past decade and that land owners are an impoverished class. One writer points out that while business incomes exceeding £5,000 a year have increased eight times, incomes of agricultural landlords fell in the same period in a ratio of 70 to 52. That is not surprising when it is considered that between March 31, 1914, and March 31, 1923, the total amount of rates collected by local authorities in England rose from £71,000,000 to £159,000,000, according to the statement of Sir Henry Rew, in the Contemporary Review for August, 1923. The conclusion is warranted that a re-survey of the entire field of taxation is in order, seeing that the relative income from land in proportion to the total national income has fallen, while the local, provincial and national expenditures have greatly risen.

There is both wealth and income from production in Canada upon which to base a system of national taxation which will bear a fair relation in all its functioning parts. The total income from production in Canada for 1920 and 1921 as estimated by the Dominion Bureau of Statistics follows:

Primary Production, 1920, at.....	\$3,023,125,452 gross and	\$2,277,661,352 net
Primary Production, 1921, at.....	2,126,515,759 gross and	1,631,510,621 net
Secondary Production, 1920, at....	3,984,424,565 gross and	1,758,381,134 net

Secondary Production, 1921, at... 2,747,012,896 gross and 1,286,322,745 net

With that volume of production in Canada, which was substantially increased in 1924 over 1921, judging from the trade returns from exports, there is a broad base for taxation to get the necessary revenue without imposing any grievous burden, while at the same time easing up the burden of taxation on land.

There is a disposition on the part of many of our people in Western Canada to pay attention to the tactics of politicians in decrying against indirect taxation. In Great Britain about one-third of the national revenue for the fiscal year ending with March 31, 1924, was raised from and by indirect taxation, according to the first and only Snowden budget. The returns of revenue show that £119,958,000 were derived from customs and £147,970,000 from excise. That was £267,928,000 out of a total revenue of £837,169,000.

The property and income tax brought in £329,971,000, and the corporations tax £23,340,000. Estates and duties accounted for £57,800,000, and stamps for £21,570,000. The land tax and house duty brought in only £2,760,000, but the tax on motors yielded £14,691,000. The postal revenue amounted to £52,800,000, over against which administration of the department cost £49,811,000. If this is struck off both sides of the account the total taken by taxation was approximately £787,000,000, of which £19,000,000, more than a third, was raised by indirect taxation.

Placing Taxes to Help Industrial Development

In the light of these returns it is evident there is good precedent for indirect taxation, especially when it is considered there is not the accumulated wealth in Canada for taxation which is found in older countries. Giffen, who writes the article on taxation in the Encyclopaedia Britannica, intimates the former distinction between direct and indirect taxation is no longer regarded as before.

The deduction is fair and logical that since we are bound up by necessity and conditions to indirect taxation in Canada, it would seem to be the part of wisdom to levy these indirect taxes in a manner which will help in the development and upbuilding of home industries. The revenue tariff is an accepted part of the national economy; why, then, not have a sound secondary economic policy?

The provincial and municipal organization of these Prairie Provinces could with no difficulty and very slight added cost for administration care for a much larger population. Sir Henry Thornton declares that if Canada had a population of 25,000,000 there might be some difficulties, but there would be no problems. It is estimated there remains over 125 million acres of cultivable land in these Prairie Provinces, as compared with less than 40 million under cultivation.

The railway presidents are giants for immigration of a substantial type, associated with colonization which makes for permanent settlers and contented citizens. President E. W. Beatty persistently advocates an energetic policy of immigration. Reviewing economic conditions in Canada at the beginning of this year, with the national credit high,

the Canadian dollar at par or better throughout the world, trade conditions favorable to a general revival of business, prospects good for an increased flow of desirable immigration to this country, Mr. Beatty sees national difficulties "largely resolve themselves into the failure of immigration and the past too reckless expenditure of public funds. The need for public economy was never greater," Mr. Beatty says. "If it can be effected in a broad, statesmanlike fashion, and if a vigorous immigration policy can be successfully inaugurated, Canada's early return to normal progress will be assured."

I will conclude with these deductions: (1) It is important and opportune to have a national re-survey of taxation, which should be conducted by a commission of experts representing the Federal and provincial governments.

(2) There should be a definite understanding that a policy of economy will be pursued by all parties to the survey, and that the purpose is not to find new means of increasing revenue so much as a fair adjustment for all concerned.

(3) There should be an effort made to convince the Federal government and Parliament that a larger share of the cost of public welfare services should be paid out of the national treasury.

(4) There should be official recognition given, especially by provincial and municipal authorities, of the onerous burdens on the land with a view to tax reform and reduction.

(5) That consideration be given by all taxing bodies to the advisability of a wider and more general diffusion of taxes, in order to collect a proportion of the costs of public welfare services from and among those partaking of the benefits.

(6) That the positive and constructive remedy for the economic burdens of Canada is in a larger production, which will in turn be made possible and greatly increased by a larger population, to be secured by making it desirable for our own people to stay here, and by an energetic immigration policy joined to permanent land settlement and colonization efforts.

-FRIDAY AFTERNOON, 20th FEBRUARY, AT 2 P.M.

RESOLUTION No. 11.

The resolution (No. 11) arising out of Col. Aikin's paper was then read to the conference, and was as follows:

1. **THAT** the field of taxation is one in Canada that it should be so regarded by the taxing powers through co-operation in arrangement of the system by Federal and Provincial authority.
2. **THAT** the tax on real property should be recognised as the exclusive right of the Municipality.
3. **THAT** the Federal Treasury authority should have a larger share in the cost of Public Welfare Services.
4. **THAT** this resolution be referred to Committee to be appointed by the incoming Executive to be reported on at the next Conference.

Mr. Ward: I am sorry that someone better qualified than myself

did not rise to secure the floor to carry on this discussion. It seems to me that after hearing the paper which shows so much ability we ought to have some room for discussion. I had the opportunity of reading the paper over before it was given and there were some things in it I would like to bring to the attention of the conference before passing any resolution. I think the first part of the resolution is all right. But there is another clause which recommends that the real property tax should be confined to the Municipalities, and as I understand that resolution, it means that we are asking that the Municipal Commissioner's levy be abolished. That is rather a radical proposition to make. There may be some who agree with it—I do not, I think that we should not ask that it be abolished. I do not want the conference to pass it without understanding what it means.

I have made a few notes of some of the points in Colonel Aikin's paper. He claims that in regard to Real Property Taxation rental income should determine the assessment basis quite as much as capital value. And it seemed, however, that while he expressed himself in favor he said that the idea could not be carried out to its full extent. I want to say that I am not in favor of rental income as a basis of taxation of real property. Think what it would mean, particularly in regard to the vacant land on the prairies. There are millions of acres of vacant land on the prairies of this western country owned by the Hudson's Bay Company, the C.P.R., etc., and by a whole host of private individuals. These lands if vacant have no rental income, and consequently, under the proposal made in that paper they would pay no taxes, and consequently, if the vacant lands in that Municipality paid no taxes, the farmers in that Municipality would have to pay the whole of the taxes, and at the present time they are finding great difficulty in paying what they have to pay. It would also mean that all the vacant lots in the cities would pay no taxes.

Members of the Conference: No, no, you are drawing wrong conclusions.

Mr. Ward: I am not. There would be no taxes payable on vacant lots. It is not rental value but rental income.

Professor Clark: I have listened with interest to Mr. Ward's criticisms. I think possibly, in Canada the distinction between a Protective Tariff and a Tariff is not always appreciated. A tariff for revenue purposes may be a very proper fiscal instrument as a supplement to taxation. The protective tariff strangles trade. The Free Trade Tariff liberates trade.

We could do with a smaller number of motor cars. I distinguish between the system of taxing indiscriminately all kinds of necessities and luxuries with a view to protecting certain forms of industry at the expense of others.

Take the other side of the question. The question of the abolition of the Municipal Commissioner's levy on land. I believe that the taxation on real property ought to be left for the Municipalities. It is per-

fectly obvious that in Western Canada at least—I am not acquainted with the Eastern Municipalities—they have all they can do to get the revenue they require, and for the Province to encroach as it has done, on this field of taxation of real property is simply to aggravate matters. I think it is beginning to be realized that this is a mistake, and I think the Government would like to retreat if they could. It ought to be greatly reduced and ultimately abolished. Real property is primarily the one form of taxation that can be effectively levied by the Municipality. Real property cannot escape from under the tax collectors' hands.

I hold that you can tax annual rental, and yet tax the vacant land at the only legitimate time that it should be taxed, when the revenue from it is realized—when it changes hands. You cannot get at the unearned increment by an annual tax for the simple reason that as soon as the land changes hands, the new owner, in so far as the tax existed when he bought the land is holding over all that tax but would have had to pay a larger lump sum for the land, and so it is really free of tax, the only tax is the increased rate since he bought the land. The man who sold it has escaped with unearned increment.

Mr. Ward: Would you leave the vacant sections on the prairies untouched?

Prof. Clark: Yes. In the city of Victoria they have confiscated so many lots that they are compelled to offer them at absurdly low prices. Land admitted into the circle of exchange ought to be treated as all other forms of property are treated. They have plunged in and tried to get at the absentee owner. The absentee owner is not always the despicable person he is taken to be. The Provincial Government steps in and puts a special tax on unoccupied land. It is definitely outside the circle of taxation. The Government cannot make a good use of the land when they get it. The Dominion Government, I think, is getting off too lightly. One of the primary objects was the obtaining of a uniform customs tariff. The Dominion Government was therefore given the exclusive right to levy customs and excise duties, and the Province were given certain subsidies, amounting to 23% of the customs and excise revenue. That 23% of the customs revenue given as subsidies was given to the four original Provinces and now these are nine and only 8% is distributed among them as subsidies. That includes a special grant made to the prairie Provinces that ought to be deducted and will reduce the percentage still lower. It follows that some readjustment of fiscal relations between the Dominion and the Province is urgently called for because not only are we now receiving the lesser proportion of what would have been ours, but the Province has been called upon to perform a larger number of duties and more expensive than were ever contemplated when the Federation went into it. Education has notably grown in cost. Public health administration has grown. A great many of these expenses are really expenses incurred for Dominion Services. They are continuing to grow. There is need of

some reconstruction of the financial relations between the Dominion and this Province, and therefore I think that the people of Manitoba should be behind the Government in working for a further conference to arrive at some equitable arrangement — some equitable distribution of taxes. None of us can be blind to the fact that the Dominion is at present faced with heavy financial responsibilities in connection with the expenditures in connection with the War. It is absurd that we should have the different Governments all fighting each other on local questions.

Take the Grain Futures Tax. I do not agree with the Grain Futures Tax. Why should it be a Provincial Tax. Matters of that sort should surely be settled by the Dominion, and the Province conferring and agreeing as to what should be done. It should be a Dominion Field of Taxation.

Col. Aikins: After the very excellent interpretation given by Professor Clark, I have very little to say. Regarding the point of distinction between income and value—I will just read a line from the end of a paragraph: "Income will determine the wealth or value of a piece of land—if it has no income it will not be likely to be marketable as an ordinary piece of land. But a subject of that kind has variations. If it is a piece of mining property it may prove to have commercial value—that is, market value. If, on the other hand, the rental income determines the assessment, a man might have a residence in Winnipeg worth \$5,000.00. The rental value will be higher therefore the assessor will have to assess his property somewhat higher than the rental income.

There being no further discussion the Resolution was again read to the conference, and on the question being put the resolution carried.

Mr. Marshall: At last year's conference resolution No. 4, on Natural Resources was referred to a committee which made enquiry and prepared a report. That report was read, and the following is the resolution which arises out of that report:

The Chairman next called upon Mr. Martin to speak on resolution No. 5, which was as follows:

RESOLUTION No. 5.

HUDSON BAY RAILROAD

Moved by **Prof. F. H. Martin,**

Seconded by **W. Iverach, and F. C. Hamilton.**

WHEREAS it is the opinion of this Conference that the permanent prosperity of the greater number in Manitoba depends upon the fullest development of all natural resources of the Province,

AND WHEREAS we believe that only by the completion of the HUDSON BAY RAILROAD can the great natural resources of Northern Manitoba in Minerals, Fisheries, Pulpwood and Waterpowers be so developed,

THEREFORE BE IT RESOLVED that the Dominion Government should immediately complete the HUDSON BAY RAILROAD to

tidewater and provide the minimum of harbour facilities at the terminal.

Mr. Martin said:

You must realise that the natural resources we have been talking so much about are in the north country along the railway we are speaking of, and the most effective way we can develop those natural resources is to demand that the Dominion Government (who have taken the money and have obliged themselves to complete that railroad) do complete it. They have not done their job. They have spent fifteen millions of the twenty-seven millions. That railroad would enable us to get at those natural resources we are speaking of—pulpwood and many other things. I will not dwell upon the feasibility of the road. They say that it is only good for six months in the year—I do not care if it is only good for three months, so long as these three months synchronize with the time we want to take out our produce.

We have more power in our Province than Niagara Falls. We hear a great deal about ice conditions. There is no complaint on the Winnipeg River, and there is no temperate climate that is subject to ice conditions where we have as little trouble as on the Winnipeg River. The further North, the less trouble do we have from ice. We have found that if we want to keep the river open we have to increase the velocity to more than $3\frac{1}{2}$ feet per second. Our great flow of water is in the spring and summer. Furthermore, we have one of the finest storage basins in the world in Lake Winnipeg. All the waters can be held in that river until the time we want to use them for power. By proper regulation at the mouth of Lake Winnipeg that Port will never freeze over. Our wheat will go out there. Also out cattle. There is no sense in shipping these down through the tropics through the Panama Canal. From September to January is the time we want to take our cattle out, when they are in good shape. If we want to develop our natural resources, this is one of the problems that we must tackle first. If you will attend the Board of Trade meeting next Friday night, you will hear all the facts.

Mr. F. C Hamilton: I had the privilege last spring to take a trip on the Hudson Bay Railway Line, and one thing that struck me was the nearness of that part of the country to Winnipeg. Another thing that struck me forcibly was the fact that the country over which that railway passed was well worth building the railway for in itself. If there were no Bay at the end of it at all the road would be worth while. There is a good deal of agricultural land. Fertile soil. The Country abounds in fur. The lakes abound in fish. There was great wealth of pulpwood and timber for ties and other lumber. Then the Nelson River is a most magnificent river. Millions of horse power there ready to be harnessed.

One thing I am not in accord with as to the reason for its not being completed. Both parties, East and West consented to build the railroad to within 90 miles of the bay, and also did a great deal of harbour

work, thus showing their good faith in the enterprise. The undertaking was stopped and no provision made for the resumption of the work at any future time. Since that time we have not had a united voice from the West demanding the completion of that road, and this is what is required. We may blame the East, but it will be of no avail. The remedy is in our hands.

The Resolution was again read to the meeting, and on the question being put, the resolution was carried unanimously.

The next item was the consideration of Resolution No. 3, on Succession Duties, moved by **Mr. R. M. Fisher**, seconded by **T. Hunt, K.C.**, which had been submitted to the conference the previous evening and referred back to the committee. The Resolution was read by **Mr. Fisher**, and on the question being put, the resolution carried unanimously.

It was moved by **Professor H. C. Grant**, seconded by **T. A. Hunt, K.C.**,

RESOLUTIONS Nos. 12, 13 and 14:

THAT the Conference express their appreciation of the untiring efforts of the Marlborough Hotel for the use of the Conference Room and other conveniences as kindly placed at their disposal. Carried.

It was moved by **General Paterson**, seconded by **D. D. Macdonald**, **THAT** this conference express their sincere appreciation to the Press for their efficient reporting and publication of the proceedings of the conference. Carried.

Moved by **Professor Grant**, seconded by **General Paterson**, **THAT** the conference express their appreciation on the untiring efforts of the 1924 conference executive and wish to especially thank **Mr. Glen**, **Mr. Hunt** and **Mr. Curle** for their generous outlay of time and effort. Carried.

The following resolution was then moved by **Mr. D. G. MacKenzie**, seconded by **Professor H. C. Grant**:

RESOLUTION No. 10.

THAT this conference go on record as approving of the action of the Dominion Department of Agriculture in co-operating with the Province of Manitoba and the University of Manitoba for the solution of the rust problem and urge in the interests of economy and efficiency that this co-operation be extended into all lines of Agricultural research and extension where an efficient co-operation of effort can be effected and thus make for better use of existing Dominion and Provincial Agencies for the solution of our Agricultural problems of production and marketing.

Mr. D. G. MacKenzie said:

Up until about 1½ years ago the Dominion Government made a grant to the Provincial Department of Agriculture of \$70,000.00 for the promotion of agricultural extension work, and you know from our recent budget that this grant was withdrawn and that we have had to assume certain responsibilities for extension work, which is a very important phase of agricultural work. In taking certain problems both of production and economics, such as the widening of our market, the necessity for co-operation will be manifest.

The question being put, the resolution carried unanimously.

The next resolution was as follows (Moved by **Mr. E. K. Marshall**, seconded by **Mr. Peter Wright**):

IN ORDER to devise means for a more equitable distribution of the burden of school support be it resolved that this conference instruct the incoming executive to appoint a committee to study the whole question of the financial support of our schools and report to the conference 1926.

Mr. Fox-Decent: The amendment that I wish to move is as follows: Moved by **Mr. Fox-Decent**, seconded by **Professor Clark**.

THAT the larger part of the cost of education in Manitoba be taken over by the Provincial Government and paid out of the Consolidated Revenue Fund.

FURTHER, that the Federal Government be asked to contribute to the cost of Higher Education.

Dr. Magill: That is a big problem. I am strongly opposed to the amendment. I feel that we are not justified in handing anything further over to the Dominion to handle. The Municipal levy will increase. I think it would not be wise, so far as Winnipeg is concerned, to let the Dominion run school affairs.

Mr. Iverach: I wonder if we are not duplicating here. We have had a commission for two years that has investigated this problem in Manitoba. I do not know that any committee could do that work as thoroughly as that commission has already done it. I would rather support Mr. Marshall's resolution as it was submitted here this morning, than either the new resolution or the amendment.

Professor Clark: I feel that, as I said this morning, education is a general service, the cost of which ought to be borne by the community in general, each in proportion to the ability to pay. I am a citizen of Winnipeg, and I feel that we should not take a merely local or political view of it. Why, therefore, should not the Province recognise its responsibility? Education is a general service, and I may say that this fact is recognised in other communities.

Mr. Cox: The motion recorded before recess was infinitely superior to the one put up now. We have to recognise the fact that the Provincial Government has not yet had an opportunity to go into the report of the commission and go upon its finding. To pass this other resolution I think is not right at all. I am very much opposed to it. But have it put off for a year. The previous motion I think, as containing a definite recommendation, is infinitely preferable to either of these.

Mr. Murray: I agree with Mr. Iverach and Mr. Cox, as to the resolution which was presented this morning. I would prefer it to what we have before us now. The Provincial Government have appointed a commission that has cost this Province considerable money. They have been working for nearly a year investigating as to what would be the best methods. They have submitted an elaborate report and made several recommendations I understand. And I also under-

stand that at the present time the Government is preparing legislation to put into effect certain parts of that report. I think we should give the Government a chance to use the material in that report, because the investigation made by that commission was worthy of consideration, and I think both the resolution and the amendment should be withdrawn. The Government are working on the report and I have no doubt will bring in some legislation which will be helpful to the educational system of this Province. I would very much prefer this morning's resolution.

Mr. D. D. Macdonald: In the light of the fact that we have an elaborate report prepared by a Government-appointed commission, one that is recognised as a commission with considerable ability and who have made a thorough investigation, I am not sure personally but that it would be wise on our part to await the reception that the Murray Commission report will receive at the hands of the Government and the people of this Province. One of the outstanding features I referred to this morning, but it includes only a portion of the Province. It purports to equalise the burden on certain areas within the Province, whether that will become legislation this year or not I am not certain. But I know this, that in many parts of the Province, even in those sections that will be affected, the purport of it is not known, much less understood. I think perhaps that we might drop the question, and await the reception of the Murray Commission report.

Mr. F. C. Roland: It seems to me a matter of finance. The conference could not conduct a thorough investigation without money. Without money it would be impossible to carry out the resolution.

Mr. E. K. Marshall: The report that I brought in this morning was just a part of a general recommendation. A committee of the conference might study the Murray Commission report, might take from it certain portions which might be recommended to the Government and specially emphasised. A separate recommendation was not the intention. Regarding the amendment, I think the Province, particularly the rural districts are not ready for any such rather drastic change as that.

The amendment was then put to the committee, and on a show of hands, was lost.

The motion was then put, and on a show of hands was lost also.

The following resolution was then moved by **Mr. A. M. Fraser**, seconded by **Mr. H. C. Whellams**:—

RESOLUTION No. 7.

THAT it be a recommendation of this Conference that more effective control by the Ratepayers than at present exists of School, Civic and other Capital Public Expenditures be provided by legislation.

Mr. Fraser: The control at present by means of a referendum has been found ineffective. Not only in Canada, but all over the continent.

Mr. Fraser here read extracts from various papers regarding the State of Indiana, showing that saving had been effected there to the amount of \$22,000,000.

Mr. Fraser: Take our Capitol Building here—a beautiful monstros-

ity. Take the Nurses' Home—the amount of money expended on it could have built a house for each of the nurses.

Mr. Fox-Decent: I would like to draw your attention to the Parliament Buildings here. Most deplorable. \$8,900,000 expenditure—originally intended to be \$3,500,000.

Mr. F. J. C. Cox: I think there have been more mistakes and more crimes committed in the name of democracy than anything else in the world. I am surprised at anyone attempting to defend our School Board. They are beautiful buildings. They are building for a million years—and they will be obsolete. The cause of unemployment today is rank extravagance in the name of democracy.

The resolution was then read to the meeting, and on the question being put, the resolution carried.

The following resolution was then moved by **Mr. A. C. Emmett**, seconded by Mrs. Lily Brown:

RESOLVED, THAT revenue derived from the licensing of motor vehicles being specifically ear-marked under Section 64 of the Motor Vehicle Act, the Government be requested to capitalize funds and use the proceeds for the payment of interest and creation of a sinking fund to provide for bond issue covering construction and maintenance of a system of Trunk Highways which would be of benefit to the Province as a whole.

FURTHER BE IT RESOLVED, THAT revenue derived from the proposed Gasoline Tax be also set apart for the same purpose..

Mr. Emmett: Mr. Chairman, Ladies and Gentlemen: The resolution that I want to introduce to you arises from the paper I had the pleasure of delivering at this Conference last night.

Professor Clark: Motor vehicles are a luxury, and one might almost say, a common danger; and as such are a legitimate source of revenue to the Province. Funds collected from that tax ought to be available for the best use the Government can put them to. The policy of ear-marking is a worn-out policy. One that Progressive Governments are everywhere discarding. If we have a wise Government it will consider what is the most urgent thing—they will look to so spend the public revenue that it will confer upon the people the most good—which they cannot do if the funds are ear-marked.

Mr. D. D. MacDonald: I am emphatically in accord with the proposed tax on gasoline, so far as the principle involved in the resolution is concerned—namely, the principle that the Province should own and construct and maintain a certain limited mileage of trunk highways. But I am opposed to our suggesting details as to how these enterprises should be financed and maintained. On that account I must oppose the motion, though I would like to support the principle of the Provincial ownership of the trunk highways.

Mr. F. J. C. Cox: The motor is the modern means of conveyance. It has come to stay, even if there is some additional risk to life and

l'mb. The motor today is not a luxury—it is a necessity. A lot of people say that they do not care to buy one, claiming that it is a luxury. It is as much an absolute necessity as the telephone. Men to-day could not carry on their business without it. Ear-marking is not obsolete. It still prevails in England. It is quite common. Why should motors be selected for special taxation? When the Government undertakes to tax the cars, it should provide proper and adequate means for their use; and why it should be objected to that funds be ear-marked for this purpose, I cannot conceive. Winnipeg pays nearly 50% of the motor licenses, and will pay 50% or more than that of the gasoline. Is it the wish of this meeting that Winnipeg should be particularly singled out to pay for this, that or the other thing in which they have no concern? Winnipeg people are willing to forget that they are paying for their roads, and willing to contribute a large sum to provide roads, and I think it only just to ask that these funds be ear-marked for the purpose for which they are intended.

Mr. Peter Wright: I think the auto is here to stay. At the same time there is some expense incurred in connection with traffic regulation. My friend refers to the roads that are being made out of revenue derived from that tax. It is a very small proportion of the roads made in this Province.

Mr. Emmett: I wish to correct the impression given by Professor Clark that the auto is a luxury; that the Government take the stand that this is so; the Government takes the stand that the auto is a necessity.

Prof. Murchie: Is Mr. Emmett asking for that money for the maintenance or construction of roads?

On the question being put to the meeting, there was a show of hands, which resulted as follows: For the motion, 13; against the motion, 15. And the resolution was declared **lost**.

The next item was a resolution in connection with income tax, moved by **Miss M. E. Finch**, seconded by **Professor Murchie**, as follows:
RESOLUTION No. 12.

RESOLVED, that in cases where husband and wife are each earning incomes, that the exemption be \$2,000, and not \$4,000, as at present.

Miss Finch: At the present time unmarried persons, men or women, are exempt to the amount of \$1,000—married persons exempt \$2,000. But if they both wish to earn incomes they have an exemption of \$4,000. A married woman staying home with the children is not exempt. I have been consulting some of the others in regard to this resolution, and I find that the main objection is that it widens the field of taxation. Surely in order to be fair-minded about it we are willing to allow our Government to draw the extra revenue which it will derive from a married woman working. I think we have to realize that our Government requires a certain amount of money to carry on this work, and it should not be our sole object to reduce the amount of taxation, but we should see that we have equality of taxation, and that our levy

is fair.

Mrs. Brown: I would like it clearly understood that as a married woman I am not drawing salary. But I must go on record as opposed to this. In the first place, we are here to reduce taxation, and that is adding another tax. I would prefer giving an exemption of \$1,500 instead of \$1,000. I feel that this is a direct tax on the women in the city. There are thousands of women who work just as hard as the men and earn just as much. We are a conference to reduce taxation, and I think, if I may say so, we will be rather a joke if we add more taxation.

Prof. Murchie: I think, instead of having a conference to devise ways of dodging, we have met to devise ways of doing away with inequitable taxation. I would hate to think that we were enabling anyone to dodge taxation. I think Mr. Cooper emphasized that. I think that it would be an earnest of our good faith if we were to pass one resolution which was to give the Government one little additional source of revenue—without increasing any inequality—but doing away with inequality, without creating any injustice or hardship. We have to agree that the principle of the income tax is all right, and that for a married couple \$2,000 is a fair exemption. But here we have a regulation in the Income Tax Act which states that a married couple, if they are both earning, have exemption of \$4,000, instead of \$2,000. I support the resolution to do away with that inequality.

Mrs. Gee: You take our farm women—they work just as hard as any city women. I am very much in favor of the resolution. We have farm women by the score working from daylight to dark, and producing a great deal of revenue. And they are not allowed anything.

The question was then put to the meeting, and the resolution carried.

The following resolution, moved by **Mr. D. G. Mackenzie**, seconded by **Miss Finch**, was then submitted:

WHEREAS most of the Provincial Lands at one time held by speculators have reverted the Province;

WHEREAS these lands, so long as they are held by the Province, are non-productive and non-revenue-bearing;

RESOLUTION No. 8.

THEREFORE BE IT RESOLVED, that the Provincial Government is strongly urged to adopt a vigorous land settlement policy, with a view to getting actual settlers on these lands, and that said lands be revalued and the price and terms made attractive to bona fide settlers.

On the question being put, the resolution carried.

Mr. Hunt: Your Resolutions Committee has no authority to make suggestions as to nominations for the next Conference. Last year you directed nominations to come from certain organizations.

Mr. Iverach: Is the Conference decided that it should carry on?

Mr. Glen: We have not the finances to carry out any dissemination

of information. Shall we continue this Conference, and if so, when will the next Conference be held—after that, what shall be the composition of the Executive to carry it on?

It was moved by **Mr. Emmett**, seconded by **Mr. S. Larcombe**:

RESOLUTION No. 16.

THAT this Manitoba Economic Conference do continue. **Carried.**

Prof. Murchie: I move that we do now hear the recommendations that come from the Resolutions Committee. I understand that last year it took from six weeks to two months to get the Executive really together. I think the representatives should be chosen from those people here; otherwise you will lose that amount of time.

Mr. Hunt: I will go over the list and tell you what we have tried to do. There might be some suggestions. We want to get continuity. We want to carry on immediately. Mr. Iverach has suggested that the questions of transportation and unemployment should be taken up immediately. Mr. Hunt then read the following names as a suggested committee for the next Conference:

See page —.

Mr. Hunt: I wish to suggest that those who live outside the city should be empowered to nominate someone to attend the meetings in the city if they cannot do so.

Mr. Glen: Is the Conference prepared to accept the suggestion?

It was moved by **Alderman Davidson**, seconded by **C. F. Rannard**, that the names suggested by Mr. Hunt be the Executive for the next year. (Resolution No. 17, page 136.)

Mr. Iverach: While I am perfectly willing to work with the Executive, I am not just sure that it is quite fair to have Professor Clark and myself representing Labor. Last year Labor did not nominate.

Mr. Curle: Mr. Iverach and Professor Clark do not represent labor, and I do not think that Labor would be satisfied that they should pose as representing Labor. Labor was invited to nominate two members on that committee. They declined to do so, and in the meantime, in order to have the full quota of twenty-four names on the committee, the names of Professor Clark and Mr. Iverach were substituted in lieu thereof, until Labor saw fit to take advantage of this opportunity of taking part in this Conference, which is supposed to represent every group in the Province. We are very pleased to have these two gentlemen fill that gap until Labor comes in.

The motion was then put to the meeting, and was carried unanimously.

Mr. Iverach: I would like to move another resolution: That the incoming Executive be instructed to devote next year's session to **Transportation and Unemployment**.

Mr. Glen: Would it not be better to have it suggested that these two subjects be investigated?

Mr. Iverach: Well, make it a recommendation.

Mr. Glen: Votes of thanks have been given, and I think there is

nothing further to be done but to dismiss this Conference for another year. The work during the two days' session has been productive of much good. But notwithstanding this, the work will never attain to its full fruition until the reports are printed. I do not know how this can be arrived at. The question of finance is a serious one. It would seem necessary and vital that some way be found of giving to the public the information contained in the papers prepared, in order that the people of the Province may be seized of the facts. This must be done if we are to be of benefit to the Government and the people of the Province. Just now, in the usual manner, I will ask that we rise and sing

GOD SAVE THE KING.

RESOLUTIONS

**Resolutions passed at the Second Manitoba Economic Conference
Held in the Marlborough Hotel, February 19-20, 1925.**

Real Property Taxation

RESOLUTION No. 1.

Moved by **Mr. A. M. Fraser,**
Seconded by **T. A. Hunt, K.C.**

Resolved, that this Conference, having considered the Report of the Special Committee on the Real Property Tax, approves of the same, and instructs that copies of the Report be sent to the Premier of Manitoba and members of the provincial Cabinet, the Mayors of the Cities, and the Reeves and Secretary Treasurers of the different Municipalities in the Province. **CARRIED.**

Income Tax Changes

RESOLUTION No. 2.

Moved by **T. A. Hunt, K.C.**
Seconded by **P. Wright.**

THAT a resolution be forwarded to the Dominion Government recommending:

1. A reduced scale of taxation more in keeping with the rates now in force in the United States of America.
2. That assessments be based on a taxpayers' average income for the three years immediately preceeding the assessment.
3. The publication in full of all rules or decisions made by the Commissioner of Taxation as far as they relate to matters affecting a taxpayer.
4. That a deduction be allowed from income covering reasonable sums paid for Life Insurance.
5. That steps be taken to as far as possible remove the present inequalities in taxes as they affect the business man and the professional man.
6. That the lien imposed by Section 25 be removed.
7. That taxpayers have the right of appeal from their assessment to a Judge in the District where the appellant resides, without any security having to be put up.
8. That a Company's normal tax be adjusted so that a dividend in the hands of a shareholder may be exempted from Normal Tax at the same rate as paid by the Company.

THAT a resolution be forwarded to the Provincial Government recommending:

(a) That the income tax Act be amended so as to free from income tax dividends declared out of profits earned prior to the Act coming into force.

(b) That the Act shall be amended so as to modify the present difference between the taxes paid by one entitled to an exemption of \$1,000 and one entitled to an exemption of \$2,000. **CARRIED.**

Succession Duties

RESOLUTION No. 3.

Moved by R. M. Fisher,

Seconded by T. A. Hunt, K.C.

WHEREAS it is evident that the high rate of Succession Duties in Manitoba tend to destroy the source of revenue and cause capital to be withdrawn and kept out of the Province of Manitoba, and discourage the investment of the new capital which is necessary for the development of the province.

AND WHEREAS the actual revenue to the Province of Manitoba would be greater under reasonable rates than under the present high rates as the incentive to practice methods of avoidance and evasion would be gone;

AND WHEREAS multiple Succession Duties imposed by various Provinces operating on a single estate result in confiscation;

NOW THEREFORE be it resolved that the Executive of this Conference take such steps as it shall from time to time consider advisable to ensure:

(a) THAT a conference of all Provincial Succession Duty authorities be called as soon as possible to ascertain if an agreement can be reached as to the basic principles of a uniform act based on domicile or situs and if so, have the agreement embodied in an interprovincial treaty and legislation based on the treaty enacted, and in so far as this may not be possible, have uniform reciprocal legislation enacted with a view to doing away with the evils of multiple taxation.

(b) THAT the need of a fundamental revision of the present Succession Duties Act be impressed on the Government of the Province of Manitoba and in such revision the said Government be requested to deal with the following recommendations of this Conference.

1. THAT the rates be lowered to such a level as will avoid the tendency to destroy the source of revenue and which will invite rather than expell capital and do away with the incentive to practice methods of avoidance and evasion.

2. Extend reciprocal provisions by Order-in-Council to such provinces as are prepared to reciprocate.

3. Remove the discrimination against non-residents.

4. Exempt charities within the Province.

5. Extend the period of payment without interest to eighteen months.

6. Make provision for discount for prompt payment.

7. Apportion debts.

8. Provide for an appeal to Commissioners on questions of valuation.

9. Relieve trustees of responsibility for duty on assets which do not come into their hands.

10. Provide reasonable exemption where husband and wife die within two years of each other.

11. Remedy the present unfairness regarding exemption of \$25,000.00 to Class 1 and make provision for further exemption where surviving husband or wife have infant children or other dependents. CARRIED.

Public Budget Bureaus

RESOLUTION No. 4.

Moved by **C. F. Roland,**

Seconded by **S. R. Henderson.**

WEREAS tax burdens have been increasing more rapidly than the population productive capacity or value of property and in some jurisdictions are practically confiscatory of the income: and

WHEREAS excessive tax rates create dissatisfaction, impair the morale and confidence of our people, mar the orderly development of our community and jeopardize the stability of our institutions:

NOW THEREFORE be it resolved that this Manitoba Economic Conference approve and encourage the organization of Public Budget Bureaus and Taxpayers' Associations in order to promote a more intelligent conception of the basic necessities and purpose of taxation, and a larger understanding of the process of levying, assessing, collecting and distribution of taxes, and that this Conference urge members to co-operate with the Municipal, Provincial and Dominion Tax Organizations and Budget Bureaus in reducing all taxes to the lowest rates consistent with our best welfare; in preventing wasteful or unnecessary expenditure of public funds: and in keeping the bonded debt within bounds reasonably consistent with ability to pay.

Hudson Bay Railroad

RESOLUTION No. 5.

Moved by **Prof. F. H. Martin,**

Seconded by **Wm. Iverach and F. C. Hamilton.**

WHEREAS it is the opinion of this conference that the permanent prosperity of the greatest number in Manitoba depends upon the fullest development of all the natural resources of the province.

AND WHEREAS we believe that only by the completion of the HUDSON BAY RAILROAD can the great natural resources of Northern Manitoba in Minerals, Fisheries, Pulpwood and Waterpowers be so developed.

BE IT THEREFORE RESOLVED that the Dominion Government should immediately complete the HUDSON BAY RAILROAD to tide-water and provide the minimum of harbour facilities at the terminal. CARRIED.

School Administration

RESOLUTION No. 6.

Moved by **E. K. Marshall,**

Scnded by **Professor Clark.**

THAT this Conference recommends to Municipal Councils and School Boards the enlargement of the unit of school administration as

an effective means of both reducing school cost and adding to school efficiency. CARRIED.

Control of Expenditures

RESOLUTION No. 7.

Moved by **A. M. Fraser,**

Seconded by **H. C. Whellams.**

THAT it be a recommendation of this Conference that more effective control by the Ratepayers than at present exists of School, Civil and other Capital Public Expenditures be provided by legislation. CARRIED.

Land Settlement Policy

RESOLUTION No. 8.

Moved by **D. S. McKenzie,**

Seconded by **Miss Finch.**

WHEREAS most of the Provincial Lands at one time held by speculators have reverted to the Province, and

WHEREAS these lands so long as they are held by the Province are non-productive and non-revenue bearing.

THEREFORE BE IT RESOLVED that the Provincial Government is strongly urged to adopt a vigorous land settlement policy with a view to getting actual settlers on these lands, and that said lands be revalued and the price and terms made attractive to *bona fide* settlers. CARRIED.

Survey of Natural Resources

RESOLUTION No. 9.

Moved by **E. K. Marshall,**

Seconded by **R. C. Wallace.**

THAT this Conference heartily approves of the Provincial Government's proposal to investigate the possibilities of development of the Natural Resources of the Province and urges the immediate undertaking of a survey to ascertain definitely these possibilities in order that economic use of them may proceed quickly and sanely. CARRIED.

Co-operation of Departments of Agriculture Federal and Provincial

RESOLUTION No. 10.

Moved by **D. G. McKenzie,**

Seconded by **H. C. Grant.**

THAT this Conference go on record as approving of the action of the Dominion Department of Agriculture in co-operating with the Province of Manitoba and the University of Manitoba for the solution of the rust problem and urge in the interests of economy and efficiency that this co-operation be extended into all lines of Agricultural research and extension where an efficient co-operation of effort can be effected and thus make for better use of existing Dominion and Provincial

Agencies of the solution of our Agricultural problems of production and marketing. CARRIED.

Fields of Taxation

RESOLUTION No. 11.

Moved by **J. A. Aikin,**

Seconded by **A. M. Fraser.**

1. THAT the fields of taxation are one in Canada and that they should be so regarded by the taxing powers through co-operation in arrangement of the system by Federal and Provincial authority.

2. THAT the tax on real property should be recognized as the exclusive right of the Municipality.

3. THAT the Federal Treasury authority should have a larger share in the cost of Public Welfare Services.

4. THAT this resolution be referred to a Committee to be appointed by the incoming Executive to be reported on at the next Conference. CARRIED.

Income Tax Exemptions

RESOLUTION No. 12.

Moved by **Miss M. E. Finch,**

Seconded by **Professor Murchie.**

THAT in cases where husband and wife are each earning incomes, that the exemption be \$2,000, and not \$4,000, as at present.

Thanks to Marlborough Hotel

RESOLUTION No. 13.

Moved by **Pro. H. C. Grant,**

Seconded by **T. A. Hunt, K.C.**

THAT the Conference express their appreciation to the Management of the Marlborough Hotel for the use of the Conference Room and other conveniences so kindly placed at their disposal. CARRIED.

Thanks to Press

RESOLUTION No. 14.

Moved by **General Paterson,**

Seconded by **D. D. MacDonald.**

THAT this Conference express their sincere appreciation to the Press for their efficient reporting and publications of the proceedings of the Conference. CARRIED.

Thanks to Executive

RESOLUTION No. 15.

Moved by **Professor H. C. Grant,**

Seconded by **General Paterson.**

THAT the Conference express their appreciation of the untiring efforts of the 1924 Conference Executive and wish to especially thank Mr. Glen, Mr. Hunt and Mr. Curle for their generous outlay of time and effort. CARRIED UNANIMOUSLY.

That Conference Continue

RESOLUTION No. 16.

Moved by **A. C. Emmett**,

Seconded by **S. Larcombe**.

THAT this Manitoba Conference do continue. CARRIED.

That Executive be as Follows:

RESOLUTION No. 17.

Moved by **Ald. F. H. Davidson**,

Seconded by **C. F. Rannard**.

THAT the following constitute the Executive for the next Manitoba Economic Conference:—

Agriculture—Dean W. C. McKillican, Agricultural College; R. W. Murchie, Agricultural College; Peter Wright, Myrtle Man.; D. G. McKenzie, Bank of Hamilton Bldg.

Women—Mrs. S. E. Gee, Virden, Man.; Mrs. Lily Brown, 784 Ingersoll St.

Industry—C. F. Roland, 506 Electry Ry. Chambers; J. W. Ackland, 65 Higgins Ave.

Commerce—J. B. Coyne, 264 McDermot Ave., J. H. Curle, 204 Canada Building.

In lieu of Labor—Wm. Iverach, Isabella, Man.; Prof. A. B. Clark, University of Manitoba.

Professions—T. A. Hunt, K.C., 408 Bank Nove Scotia Building; F. H. Martin, Electric Ry. Chambers.

Education—J. Allison Glen, Russell, Man.; E. K. Marshall, 403 McIntyre Block.

Transportation—S. R. Henderson, North Kildonan; F. J. C. Cox, Travellers Bldg.

Finance—W. A. Weir, 600 Lombard Bldg.; A. L. Crossin, 301 Lindsay Bldg.

Building—R. W. Paterson, Notre Dame Investment Bldg.; A. M. Fraser, 409 Bon-Accord Block.

Municipal—Mayor H. Cater, Brandon, Man.; D. D. MacDonald, Dauphin, Man.

OFFICERS

Chairman—J. Allison Glen

Vice-Chairman—T. A. Hunt, K.C.

Secretary-Treasurer—J. H. Curle.

